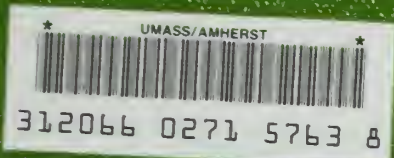


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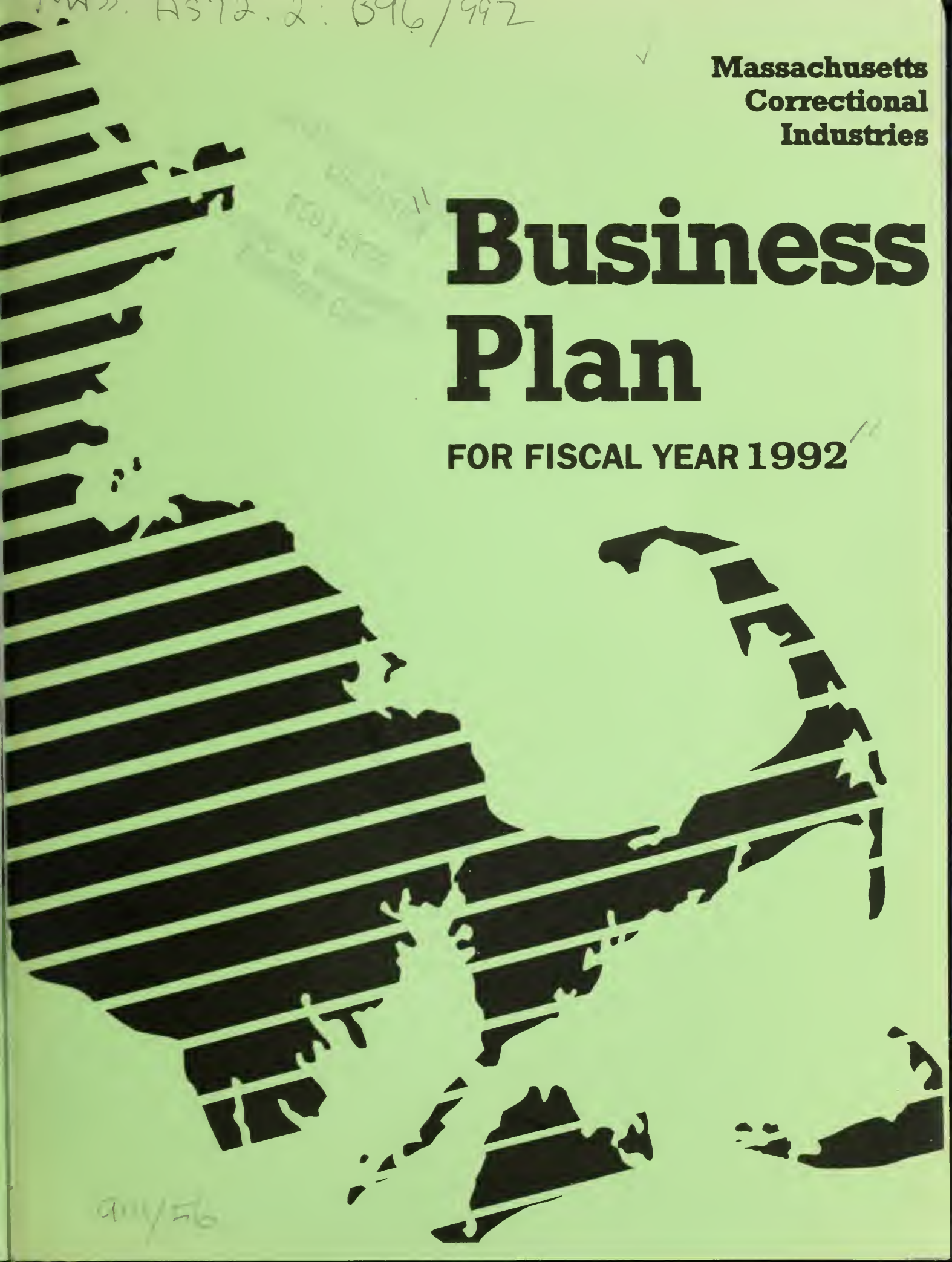
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Massachusetts
Correctional
Industries

Business Plan

FOR FISCAL YEAR 1992

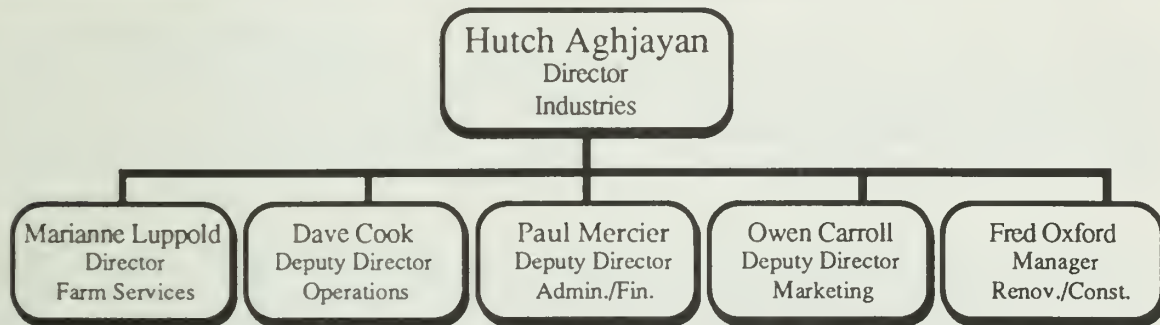




MASSCOR
Massachusetts
Correctional Industries

Business Plan

- Section I -
Report of Business Operations
Fiscal Year 1991



Mission Statement

To provide work opportunities to offenders through development of their occupational skills and discipline that would enhance their qualifications for re-integration into society. To employ the maximum number of offenders possible that is consistent with effective use of program capital and maintaining the safety of the public.

Business Report

Director's Letter

I am pleased to report that the program for FY'91 operated at self-sufficiency with a consolidated positive bottom line (before adjustments for extraordinary expenses) of \$397,833. This figure excludes the small surplus from the manufacturing of license plates which has no direct benefit to Correctional Industries.

Our fiscal year was considerably bolstered by a strong spillover of prison expansion business from FY'90 which was backed by capital funds not subject to end of year termination. Much of this prison expansion business was produced in our metal operations and generated a significant cash surplus in our MCI-Norfolk operations. Most of our shops either generated a surplus after S,G&A (overhead application), or significantly reduced losses over the prior fiscal year. In some instances, this was accomplished with lower sales indicating excellent cost control by our shops.

Excluding license plates, we shipped \$1,829,077 more in FY'91 over FY'90. License plate shipments have continued to decline and were \$126,672 less than the prior fiscal year. Overall shipments showed an increase of \$1,702,405 over the prior year.

Given the on-going realities of a smaller state budget and virtual completion of prison expansion as well as projected smaller capital outlays being forecast, it is unlikely that FY'92 will be a growth year for Correctional Industries. In fact, our sales projection is just under \$8 million for FY'92.

Fiscal Year '92 is going to be significantly different from previous operational years. The first significant change lies in the reorganization of the Food and Farm Services division under Correctional Industries. The second lies in the withdrawal, by the legislature, of most staff salary appropriations. Correctional Industries and Farm Services will be required in FY'92 to fund staff salaries out of revenues. In addition, the expenditure cap started in FY'91, restricting amounts which may be expended from the revenue account, has been continued into FY'92. Expenditures in FY'92 are to be restricted to amounts that are essentially the same as those allowed in FY'91. This is another reason why FY'92 cannot be a growth year.

Effects of Continuing Expenditure Cap

The continued imposition of an expenditure cap, at the same time that staff salary appropriations are withdrawn, represents a serious challenge to the on-going viability of the Correctional Industries and Farm Services programs. There are a number of significant reasons why this is so. In effect, the legislature has imposed a requirement for self-sufficiency on these programs never before expected from them.

The imposition of the expenditure cap, however, prevents manufacture and sale of products which might contribute marginally to overhead absorption for fear of using up expenditure allowances without significantly contributing margin. If there were adequate sales volume of high margin products available, this might not be a problem, but in a time of tight state and municipal budgets with Correctional Industries main market the state sector, there is considerable concern about the availability of sufficient business at adequate margins in suitable products for operations which must function at self-sufficiency. FY'91, as stated, was saved saleswise by the need for prison expansion furnishings and equipment which provided work for some of our shops. FY'92 will not have the benefit of these one-time sales. Each year must stand on its own and Correctional Industries must be concerned about how it is going to get enough business at adequate margins to survive from its legitimate market.

In FY'91, Industries expenditures from the revenue account were capped at \$6.554 million. Based on the FY'92 budget, the amount which Industries would be able to expend from revenues will be \$6.604 million or essentially an equivalent amount or a no growth year. Of course, in order to expend these amounts, Industries must sell, manufacture, invoice and collect the revenues first. The expenditure cap could be increased if the department is willing to continue to forward fund meat.

Business Report

Director's Letter

Effect of Funding Salaries from Revenues

FY'91 saw Correctional Industries and Farm Services collect \$11,962,156. With expenditures capped at \$9,722,920, this resulted in \$2,239,236 being reverted to the general fund. The salary requirements of both programs in FY'91 was \$3,610,869. This indicates that by funding salaries out of revenues, the program will deplete itself at some point given inadequate margins. This will also likely occur because the program will have to generate and expend, in addition to ordinary expenses, capital equipment monies. The caps and reversions of the past several years have seen to it that little capital equipment has been acquired and as equipment wears out, the program must fail. FY'92 at best will be a maintenance year with little growth likely for new shops in new institutions.

Effect on Inmate Employment

There are several other downsides to the position in which the legislature has placed Correctional Industries and Farm Services. Our mission has been to employ inmates, as many as possible within the efficient use of the funds at our disposal. To operate our business at self-sufficiency, there can be no marginal use of funds to invest in the creation of inmate employment. All funds expended must derive return cash flow within a reasonable accounts payable cycle or the expenditure cannot be justified.

Effect on Program Cash

The automatic reversion of program capital at the end of each fiscal year will ensure ultimate failure also because of the inability to rollover funds which cannot be spent right to the end of the fiscal year for the needs of the program. This is because of purchasing rules and regulations relative to bidding requirements at the end of each fiscal year. Inefficient use of the program's capital will result in inventory losses which could also eventually deplete the program's working capital. In addition, the ability to have a cash available either to take advantage of an opportunity or to recover from any adverse decision which might be made or imposed, will diminish.

Effect on Marginal Operations

Marginal shops will have to be reviewed regularly for shutdown or combined, if possible, with other shops. This will result in a reduction of inmate employment to absolute necessity of use. In demanding through this budget, that Correctional Industries and Farm Services operate at self-sufficiency, there appears to be a position within the legislature to discourage inmate employment. This seems also to be evident in the imposition of the expenditure cap which is simply limitation upon the program's freedom to take business and develop sales. Sales must be limited by the amount the program is allowed to expend on the means of production.

Should Industries/Farm Services be Self-Sufficient?

The pre-supposition that Correctional Industries and Farm Services should operate at self-sufficiency needs to be examined. Is this a reasonable expectation given the limitations being imposed by an expenditure cap and constant reversion of program capital to the general fund? It must be further asked whether it is reasonable to expect that Correctional Industries and Farm Services will only engage in those businesses and employ inmates in making those products in which it is possible to be as efficient a producer as any private sector supplier with whom we might have to compete? Why is it reasonable to expect that either these programs will be efficient producers in all the varied businesses in which they operate or have no validity in thus being engaged? Low labor cost is not the only factor in determining effective unit costs, it may not even be the most important factor any longer in this country as to whether we are a marginal or efficient producer. Farm Services, as an example, produces products which are commodities, the prices for which are determined by the market and the most efficient producers. Because of the scale of our operations, we may not always be self-sufficient producing meat and milk. Does this mean that we should give up trying to employ inmates in this type of effort? If this is true, then what business can we legitimately claim is ours? License Plates?

Business Report

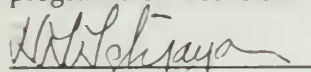
Director's Letter

The license plates revenues developed by Industries, which might assist in the survival of Correctional Industries, are denied to the program in Massachusetts. Many states allow their Correctional Industry programs to retain license plate revenues. Massachusetts has inadequately funded license plate manufacture. The conversion of the state's plates to the new red, white and blue plates had to be aborted before passenger plates could be reissued. In spite of this, the state does not allow Correctional Industries to fund plate manufacturing out of revenue funds and retain those revenues as a means of funding the program, as is done in most other states.

If it is important to employ inmates in useful manufacturing, then it should be done with the view toward the least possible cost, not by imposing a formula which insures ultimate failure. Perhaps the actions of our legislature are a good example of proving why government should not try to run businesses.

Summary

We will make every effort to operate and save the program for FY'92. We will even try to grow the program within our ability and resources. The DOC must, however, plan to deal with the issues raised in this plan before the arrival of another fiscal year. Either we must return to a more sensible funding of Industries/Farm Services or remove the constraints on expenditures and reversions to give the program a chance to survive.



Hutch A. Aghjayan

Director

Business Report

Marketing and Sales

General

1991 shipments, exclusive of number plates, were \$8,986,000 or 25% over the prior year. This outstanding performance was a result of entering the year with a substantial amount of open orders, continuation of the prison expansion program, new products and a recovery performance in the printing business up 48% over the prior year. Unfortunately, this phenomenon was a result of a number of factors coming together and is not representative of future trends.

In reviewing our order entry activity for the past fiscal year we find an entirely different trend than our 1991 sales record. Orders entered during the year were down 6.5%, a half million dollars less than the 1990 fiscal year. The major portion of this decrease was in wood and fiber resin furniture related directly to the winding down of the prison expansion program.

It is evident from these figures that Correctional Industries has relied heavily on the prison expansion program of the past few years. This success is due in great part to the commitment by the Department of Correction to be certain that if the Industries Program could manufacture a product they will receive the order. Unfortunately, even though there is a state statute 127:57 that requires all government entities within the Commonwealth to purchase from Correctional Industries, the law is ignored by most state agencies, counties, cities and towns. If this was enforced, Correctional Industries could double its business, improve quality, lower cost and cut down on lead times.

If we were able to create an awareness at the Secretariat level of state government as to the benefits to the Commonwealth that the Industries program provides and they in turn promulgated this message and law to their department heads, we would go a long way to making Industries a much more viable entity.

Other Factors

Cities and towns continued to show a declining sales performance only 3.5% of our total sales. Much of this problem is created by the fiscal problems they are encountering with lower budgets. Compare this to sales to private customers who represented 4% of total sales.

County prison expansion continued to have a positive effect on our performance, With the exception of one county we received excellent support from new prisons in Bristol, Essex, Worcester, Suffolk and Hampden County.

New Products

Due to the new budgeting process capital funds were scarce to support new product lines. As a result our new product efforts were for the most part modifications of existing items or existing technology.

Our Framingham facility had three new products; optical cases, cemetery flags and laundry bags. All three were well received, exceeded forecasts and should continue to grow in the coming year. This same institution had two projects where private companies provided all the raw material and we did the manufacturing, both projects although small, were successful.

Sales Analysis

A year ago we reported four shops exceeded one million dollars, this year this dropped to three. The largest for the year was metal products, \$1,350,000 followed by assembly products at 1.2 million.

Department of Correction continued to be the largest single customer representing 46% of total sales; followed by state agencies at 41%.

Business Report

Operations

General

The past year saw continued development of production/inventory systems and much activity in new product investigation. In the face of tight budget times we did not raise prices but were still able to continue progress on our major objectives; improved operating systems, expanded inmate employment, improved inmate skills training and general cost reduction.

Profitability

Profitability was much improved this year mainly due to good work loads and excellent performances in MCI-Norfolk, MCI-Concord and MCI Cedar Junction. Although other shops were not profitable they did improve their performance in the face of low work levels and reduced losses substantially.

Accreditation Safety and Security

We have progressed toward ACA accreditation for Industries as a separate entity. Many of our shops are already accredited under the institution that they are in but we will seek accreditation separately from the institutions in those that are not.

Improvements in tool and hazardous material control continued to be made. These focused on environmental and security issues to develop standards to apply to all shops so that we can pass future accreditations and maintain these standards in day to day operations. Several security changes were made in the metal shop at MCI-Norfolk in order to prevent the manufacture and transporting of weapons by inmates. These changes have resulted in substantial additional costs to enhance security in all our operations. A metal detector was installed, new security gates erected and several critical machines were relocated with new security devices added. Video monitoring was also installed in high risk areas. Major changes in truck security at MCI-Norfolk, MCI-Cedar Junction and NCCI-Gardner have impacted our delivery and distribution functions. We are working with the institutions to resolve this without compromising security.

Organization

Staffing: We remain understaffed due to budget constraints coupled with retirements and serious health problems of some of our staff. We are working through this but it has had and will continue to have impact on our performance throughout the new fiscal year.

Training: Staff personnel have accomplished the required hours of technical and security training as well as cross training to improve our communications and position back-ups.

Inmates: Inmate incentive programs for attendance and working leaders continued to be effective.

Shop Loads

The metal shop at MCI-Norfolk experienced its highest loads ever and continues to be moderately loaded with prison expansion work. MCI-Norfolk's clothing shop, mattress shop and janitorial shop experienced good loads but the furniture and upholstery shops operated at a very low level.

MCI-Concord completed several refinishing jobs involved with colleges and is now looking to increase its refinishing work.

MCI-Cedar Junction plate, brush and sewing shops have been slow but the furniture assembly shop was busy with continued prison expansion jobs.

SECC has and will continue to suffer from reduced backlogs due to the fiscal climate in the state. The optical shop at NCCI Gardner experienced increases from optical contracts and the custom woodworking shop was busy with overflow work from MCI-Concord as

Business Report

Operations

well as the handicraft program. MCI-Framingham and OCCC experienced some pick up and are expected to continue to improve.

Capacity, Capability and Production Changes

MCI-Norfolk

Major changes were made to the material and product security at this institution. The new secure areas constructed last year and secure material transportation carts put in service have been effective in reduced pilferage and inventory losses. New equipment installed last year in the metal fabrication shop (iron worker machine, edge hemmer and a pipe bender) contributed to the record levels of production experienced in this shop. New sewing machines for T shirt and shorts manufacture that were added to the clothing shop have enabled us to increase our production of these items.

MCI-Cedar Junction

Sewing operations for sheets, towels and pillow cases that were moved to MCI-Cedar Junction from MCI-Norfolk have proven effective by accomplishing good production levels.

The new silk screening shop, to do auto plate graphics, has been extremely effective not only in keeping up with requirements but also in providing much needed jobs for inmates. Upgrades done to the ventilation equipment over the oakite tanks and paint lines has cleared away any question as to the safety of the environment in the plate shop.

Central Distribution Center

The new Warehouse facility and the four leased semi trailers to supplement trucking and storage operations were put to the test in keeping up with record shipments out of our shops. All were in use and have proved very successful in increasing the flexibility of our delivery and storage capabilities. The trailers were especially useful under the new security regulations in that we were able to stage trailers and hold them through an inmate count inside the institutions before taking them out.

MCI-Concord

The "This End Up" furniture shop is in full operation and several major refinishing projects were completed. Tool rooms were completely reorganized both physically and in control procedures. This has improved security as well as ACA compliance.

S.E.C.C. Bridgewater

The staff in this shop has been reduced due to low work levels. We have completed the major changes to layout for better security and safer operation. This has been a major improvement to one of our oldest shops.

Old Colony Print Shop

The new equipment installed last year is fully operational and as shown the shops volume has increased substantially. The inventory adjustment for an error last year greatly reduced the operating profit.

Business Report

Renovation/Construction

General

The Renovation/Construction group of Correctional Industries ended the fiscal year after the application of assigned division overhead with a (\$160,354) excess of expenses over revenues. This result is not representative, however, of the true capacity of this shop to be revenue positive. Several factors have impacted our operations in FY'91 which should be highlighted.

Internal Construction Projects

Correctional Industries, in FY'91 as in previous fiscal years, has subsidized the construction of major internal building projects using our own Renovation/Construction division. The expenses associated with these projects are assigned to overhead but the work is performed at cost by Renovation/Construction and usually these investments are not revenue producing at least not in the current fiscal year. These projects have been used by plan to construct building additions which conveniently provide much needed work training opportunities for inmates to develop skills in the building trades as well as to create valuable assets for the Department of Correction. These skills are useful when inmates trained on these supplemental projects are utilized on similar enterprises for other paying customers. These projects provide supplementary work also for efficient use of inmate labor during lulls or inclement weather and restricts unnecessary layoff of inmates due to lack of work. In addition, this work supports the main business of R/C, which is to do similar endeavors for revenue generating customers.

Adverse Ruling by Department of Labor and Industries

Elsewhere in this business plan, mention is made of an adverse ruling by the Department of Labor and Industries regarding Chapter 149 of the MGL which effectively prevented our Renovation/Construction division from participating in several major contracts in FY'92, notably at Westboro State Hospital for the Department of Mental Health. The loss of this work and its contribution to overhead had a profound effect on the sales of Renovation/Construction for the year and also the bottom line. Because of an unplanned preponderance of non-revenue producing work in FY'91, the Renovation/Construction division was unable to operate at self-sufficiency as in previous years.

Change from BSCC to Pondville

FY'91 saw the changeover of inmates normally supplied for Renovation /Construction crew from Bay State Correctional Center to their new housing at Pondville Correctional Center. This has resulted in some major benefits resulting from a reduced necessity for inmate transportation and the provision of box lunches. The transition from one institution to the other was not smooth, however, and resulted in a temporary lack of labor in completing some projects during a critical phase of part of the fiscal year. The lower level of available work from customers also forced some rationalization of the satellite work programs at MCI Shirley and Plymouth.

Business Report

Food and Farm Services

General

Operations during FY'91 proved to be very difficult for the Food and Farm Services division. After an unprecedented growth period from FY'83 which saw increased revenues of 1750%, operations have been rationalized and some of our farm enterprises curtailed entirely. During the year the horticultural programs were closed as well as the Shirley and Bridgewater farming operations. Even in spite of these reductions, sales were increased 17% in FY'91 over the previous year. The program showed an operating loss of (\$273,053) expenses over revenues.

Elimination of Appropriations

The closures of our operations have been the result of several contributing factors. Prominent among these are the end of fiscal year reversions, the expenditure cap, the increasing requirement to fund staff salaries out of revenues and finally, the complete elimination of state appropriation for staff salaries by a final reduction of \$200,000 close to the end of the fiscal year which eliminated all remaining state appropriation for FY'91 and which forced drastic reorganization of the program. The meat processing plant at MCI Shirley, the dairy operation at NCC Concord and the dairy operation at the Bridgewater Complex were all that could be retained. In addition, Farm Services was merged with the Industries program to form the new combined Industries/Farm Services operation and all administration for the combined group is now in place at Industries Central Office location. A further fallout of the closures has been a reduction in the ability of the program to hire inmate labor and pass on relevant skills to the inmate populations of the institutions we serve.

MCI-Shirley Farm

A small vegetable farming operation was continued by MCI Shirley by retaining one of the previous farmers on the institution's payroll. This was necessary to pacify local interests in the Shirley area who had expected that the institution would maintain a farming character on the institution land. Farm Services agreed to support this usage for the 1991 growing season only, by making seed and fertilizer available, by paying inmate wages thru FY'91, by leaving there a milk replacement herd and by leaving equipment belonging to Farm Services for use by MCI Shirley. It was agreed that this arrangement would be reviewed prior to the 1992 growing season and that the land would be made available for private farming use through the Dept. of Agriculture, if it was decided that continued farming by the institution was not feasible. In any event, all Farm Services participation in this venture would otherwise end with the 1991 growing season.

SECC Piggery

A closure of the piggery at SECC was considered in order to reduce staff. Because the Bridgewater complex has no contracts in place for hauling away and eliminating food wastes which are now fed to the pigs, OCCC picked up the cost of the staff piggery operator and one of the previous farm staff was retained for this purpose. This staff person will continue to report to the Farm Services manager at Bridgewater even though his salary is paid by the institution.

Business Report

Administration/Finance

Computerization

During FY'91 Correctional Industries has continued to develop many additional accounting functions in our computer system. Timely reports and information are now possible to be received and reviewed as a management aid while making business decisions.

The use of our computers has also given Correctional Industries the means to gather information required for GAAP reports within the time limits established by the State Comptrollers.

Profit (Loss) Projection Vs Actual

The following table reflects the actual profit and loss statements versus the original projection in the FY '91 plan.

Site/Shop	Proj.	Actual	\$ Difference
MCI-Norfolk			
Clothing	(\$4,294)	(\$20,426)	-\$16,132
Furniture	\$17,291	(\$6,150)	-\$23,441
Janitorial	\$31,524	\$49,363	+\$17,839
UPH/Part	(\$30,874)	(\$4,793)	-\$26,081
Metal	\$175,081	\$564,830	+\$389,749
Mattress	\$37,781	\$9,309	-\$28,472
MCI-Cedar Junction			
Validation	\$53,273	\$33,733	-\$19,450
Sewing *	*****	\$87,707	*****
Brush	(\$21,492)	\$16,292	+\$37,784
Assembly	\$52,029	\$111,965	+\$59,936
Auto Plate	\$55,470	\$27,657	-\$27,813
MCI-Framingham			
Flag	(\$56,200)	(\$37,644)	+\$18,556
MCI-Concord			
Furniture	\$8,210	\$120,242	+\$112,032
MCI-Gardner			
Optical	(\$17,725)	(\$64,459)	-\$46,734
Cstm W/W	(\$46,041)	(\$71,704)	-\$25,663
MCI-SECC			
Binding	(\$11,342)	(\$24,174)	-\$12,832
Silkscreen	(\$36,993)	(\$42,623)	-\$5,630
Sign	(\$46,348)	(\$27,396)	+\$18,952
Old Colony CC	(\$133,563)	(\$135,887)	-\$2,324
Reno/Construction	\$3,870	(\$160,354)	-\$164,224

* No projection was made for this shop when the FY'91 estimates were developed.

Cash Flow Management

During FY'91, Correctional Industries implemented a cash flow management system. This monetary control system insures that sufficient funds are available to meet financial obligations as they become due.





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Business Plan

- Section II -
Fiscal Year 1992 Master Plan &
Objectives by Department



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ANNUAL REPORT OF THE
BUREAU OF PLANT INDUSTRY

FOR THE YEAR
1899-1900
CONTAINING
A REPORT ON THE PROGRESS OF THE
BUREAU OF PLANT INDUSTRY

Master Plan

Executive Summary

Legislative Issues

Most of the following legislative issues have been pending since last fiscal year or longer. They represent matters of profound importance for the ongoing viability of Correctional Industries.

Expenditure Cap

The imposition of an expenditure cap on the program's ability to expend funds from the revolving (revenue) account appeared in the budget language for the first time in FY'91. The amount then capped was initially \$7.1 million but was subjected to several reductions and amounted only to \$6.554 million after the reductions. The amount of capped expenditure prior to any reductions for FY'92 is legislated at \$13.114 million including both Industries and Farm Services. When the Farm Services requirement for expenditure is deducted, the amount remaining for Industries, \$6.604 million is virtually unchanged from FY'91 as is the Farm Services amount.

Prior to the imposition of an expenditure cap, Industries bore a revenue cap which although it did not limit amounts which could be expended, it funnelled to the General Fund any monies collected in excess of the revenue cap. The expenditure cap is a far more serious impediment to the viability of the program.

Both the revenue and expenditure caps are devices which limit the size of the Industries program and therefore are a limit on the potential number of inmate jobs which can be generated by active attempts to grow the sales and business activities of the program. Since there is a direct correlation to amounts expended versus amounts collected it remains a mystery as to why these caps are necessary and it is our belief they should be eliminated.

Revolving Fund (Revenue Account)

Closely allied with the issue of caps is the matter of what disposition is made of any excess of funds remaining in the revenue account at the end of the fiscal year. The Commonwealth has been following the practice established over the past several years of reverting all balances into the General Fund. This leaves Industries with no cash for the startup of operations for the new fiscal year. Now that Industries/Farm Services are required to operate at self-sufficiency by providing funding for staff salaries out of revenue funds, it seems totally unfair that balances would not be allowed to roll over into the new fiscal year to allow cash for funding the needs of the program until accounts payable begin to flow in. Industries/Farm Services desperately needs a champion in the legislature to understand the needs of the program.

PIE (Prison Industries Enhancement) Certification

Legislation is still actively being pursued by the DOC to bring about changes in the MGL to make our statutes compatible with the requirements for our participation in this program. Certification of Massachusetts in PIEC is a way in which private companies could utilize inmate labor and have their products remain eligible for shipment in interstate commerce. Products tainted with inmate labor are currently prohibited from sale across state lines by federal law. The ability to invite private sector firms to establish businesses and hire inmates within our correctional facilities could be a significantly important next step in the evolution of Correctional Industries in the Commonwealth over the next decade and beyond.

Master Plan

Executive Summary

Amendments to Chapter 127 and 152 of Massachusetts General Laws

The current legislation is House 109 which will bring about the changes required in the MGL for Massachusetts to participate in the PIEC program under title 18 of the Federal Law.

The DOC will also be filing legislation to clarify in Chapter 127 the ability of Correctional Industries to provide services in addition to products. This language clarification has been requested by the Comptroller's division legal counsel.

Amendment to Chapter 149 Massachusetts General Laws

There continues to be an unresolved issue regarding Industries' ability to bid on construction projects which call for prevailing wages to be paid. DOC legal counsel believes that Industries is not required to pay prevailing wages and is also exempt from the bidding requirements of Chapter 149. The department of Labor and Industries which has purview over this chapter of law has ruled unfavorably against Industries participation in state contract work. They have taken this step because of no specific language in the law exempting Industries. This matter has never been tested, however, the DOC is filing language changes to amend the law and clarify this issue. FY'91 operations of our renovation/construction division were severely and adversely affected by cancellation of several contracts with state agencies affected by Chapter 149. It is the DOC contention that a state agency should be able to utilize and take advantage of inmate labor cost through Correctional Industries outside the bidding process as long as we have the requisite skill and licenses and are able to draw the required permits to perform the work. This matter must be addressed to prevent Industries being involved in disputes with labor unions and businesses regularly bidding under Chapter 149.

License Plate Funding

The continuing reductions in funding for resources necessary for the manufacturing of license plates, necessitates an alternative funding mechanism. Legislation meant to accomplish this has been filed by interest groups for the past several years. This legislation would allow the Registry of Motor Vehicles to divert a portion of each registration fee into a revolving or revenue account the proceeds of which would provide the capital necessary to produce plates. The failure to provide adequate funds for plate manufacturing means reduced employment of inmates at our maximum security prison and the continuance of the use of plates on the vehicles in the Commonwealth which in some cases have been in use for up to fifteen years. Industries believes that a solution to this matter is overdue. It is anticipated that plate manufacturing will be disrupted in FY'93 because of the lead time required for the acquisition of aluminum sheeting. This period could extend from July through October 1992. The purchase of this aluminum sheeting should be accomplished in FY'92 for the supplies to be on hand commencing FY'93. Sufficient funds are unavailable however to prevent this serious loss of plates and inmate employment in our maximum security institution.

Specific Strategic Plans

Farm Services- With Farm Services reorganized under Industries and including only the meat processing plant and two dairies, it is essential that the operation will achieve self-sufficiency for FY'92 but will probably be unable to generate sufficient cash flow to replace depreciated equipment. The dairy operations will probably be subsidized by the meat operation surplus, especially since the price per container of milk has been shown to be high based on recent competitive bids obtained by state purchasing. For the time being, Farm Services milk customers have been constrained to continue their purchases of milk at a higher price. The willingness to continue to support higher prices will depend on what happens to the price of milk when school reopens in september.

Master Plan

Executive Summary

All Administrative operations of Farm Services have been relocated to the Industries' Central Office. The accounting/administration and personnel functions of Farm Services have been absorbed within Industries systems. Elsewhere in this plan a mention is made of consolidating the distribution operations as well. It is hoped that the department will continue to forward fund the purchase of meat as was done in FY'91. In so doing, the expenditure cap imposed on Industries and Farm Services will not be depleted through the purchasing of raw meat and can be better directed toward some program growth.

Renovation/Construction This operation has always had the ability to be self-sufficient. Extra projects funded by Industries, in the past, have produced inmate work opportunities for this division by sacrificing self-sufficiency and absorbing costs for such projects within Industries. This has on a number of occasions been unplanned, however, costs were absorbable within the budget. In future, such "free work" will have to be curtailed or deplete working capital.

The DOC through the legislative process must continue to try to amend the legislation under which R/C operates to allow us to bid on Chapter 149 work on which we recently received an adverse ruling by DOLI. Should we be unable to do so, R/C will be limited to taking work from state agencies only up to a maximum contract value of \$25,000. This is not a matter of competency, but a matter of the legal interpretation of R/C's status as a part of state government and what state government is allowed by law to do for itself. Sales for R/C have traditionally come from major projects with DMH, DPH and other state agencies.

The culinary arts program intended for the newly constructed annex at Industries Central Office, is still a viable project, however, only if staff can be provided for this operation out of the Education budget.

The metal building under construction at Concord, originally intended for use as an Automobile Service garage, will be completed. The use for this building, however, will be shifted to another Autobody operation. The existing staff and facility can be used as an extension of the existing auto body in Norfolk at the CDC. The staff person assigned (07) has made an effort to generate sufficient volume to cover his expenses and his salary but unsuccessfully so far. With an additional operation generating sales volume, it is expected that the additional auto body work available can be handled by him over the two sites. It is important, however, that the two instructors currently paid for out of the Education budget continues.

Norfolk Industries - This operation has been the main contributor to the viability of the program in generating surplus cash. All Norfolk operations will have to be monitored closely and expenses controlled tightly to make certain there is no waste of program assets. This will probably affect inmate employment. There will have to be more tendency to lay off inmates who cannot be used productively to conserve cash. This can't be helped if the program is to survive. There is DOC opposition, however, to laying off inmates even in spite of the danger of costs which can negate self-sufficiency.

Framingham Industries - This shop has never been able to achieve sufficient volume to operate at self-sufficiency. A number of new mini-businesses and products have been introduced to this operation to try to increase volume toward surplus generation. Additional, sales volume, without addition of overhead cost is essential if this operation is to continue.

Master Plan

Executive Summary

SECC Industries- This operation has demonstrated self-sufficiency in the past, but has not achieved sufficient sales volume in the past few years with the budget crises. Staff cost has been reduced but could not be further reduced without pulling shops out and relocating them in other Industries locations. It is hoped that a more stable state budget will see an increase in purchases of the products made and sold by SECC which will pull this operation back up.

Concord Industries- Our wood furniture operations have demonstrated an ability, with sufficient volume to throw off surpluses of cash. Concord has design capability to attract custom work if large volume orders are unavailable.

NCCI Industries- The optical shop has been close but not successful in being consistently self-sufficient. Past attempts to increase the eyeglass volume with medicaid work has been insufficient. The new medicaid contract, currently being put into effect, is supposed to increase the volume of work for our optical shop. We have done a very credible job over the past three years in supplying approximately 8000 pairs per year. We have requested that we be allowed to make up to 36,000 pairs under the new contract. We have been promised 15,000. It had been intended to add a third dispensing optician to the optical staff given the higher volume to replace an Instructor who retired. This action has been rescinded in order to hold down costs in this shop so as to enhance possibilities of self-sufficiency.

The Handicraft Industries and Custom Wood shop also at NCCI have not yet been successful in either employing large numbers of inmates or financially. A proposal to build a retail gift shop off Route 2 in Concord has been made but not yet approved. Without an outlet through which some volume of Handi-craft products can be marketed, this operation will need to be eliminated or revised by virtue of not being cost-effective.

OCCC Print Shop- While this shop was not able to generate a cash surplus in FY'91, this was primarily due to an inventory valuation error which occurred in FY'90 and had to be absorbed in FY'91. It is expected that with the volume of work coming into this shop and the more capable current manager that this shop can operate at self-sufficiency.

Cedar Junction Industries- No changes are contemplated in this operation although some of the shops and products are being subsidized within the whole by the more successful units. Industries will no longer be able to subsidize the plate manufacturing operations, in any way, should funds appropriated for that operation be inadequate.

Central Distribution- In FY'92 it will make sense to reorganize our distribution operations to see whether any additional efficiencies of operation can be extracted from a combining of Farm Services and Industries distribution under one umbrella and manager.

New Industries- To the extent possible without hurting other viable operations, we will attempt bringing up Industries operations at MCI Shirley Medium and at Bay State Correctional Center.

In discussions with the Superintendent of Shirley, some F&E funds were designated for acquisition of capital equipment for this facility.

It would be necessary for staffing to be funded also by the institution. Funding for raw material purchases for new products would have to be sought within Industries' expenditure cap or from the institution also, if possible. Some of the equipment for the startup of operations at Bay State is available, however, staffing for these shops would be necessary out of the institution funding and not provided by Industries.

Master Plan

Marketing and Sales

Overview

It is extremely difficult, if not impossible, in the current environment to develop a marketing strategy. The non-existence of capital funds and the uncertain availability of cash from on-going operations makes for a lethargic approach as far as new marketing tools, products or creative programs that require funding.

Over a period of years that have seen growth in the total Industries program, marketing manpower and expenditures have remained constant. In actuality this has been a decline in effective spending considering the inflation factor.

During the past few years, marketing has put the resources available to serving the short term opportunities. Programs that require hours of coordination with customers, the individual shops and the unending problem of a limited distribution system.

As we enter a new fiscal year the outlook is for more of the same short term reactionary approach.

Sales Volume

Despite a 1991 fiscal year cutback in budgets at every level of government, we managed to generate over eight million dollars in new orders. This was down six percent from the prior year. This performance does not bear well for the new fiscal year as our backlog with a few minor exceptions, disappeared.

Our 1992 forecast for shipments and orders entered is down approximately 12%. Most of this decline is related to metal and wood furnishings. All of our other business will be flat with marginal gains due to inflation.

We anticipate a continued growth in our printing operation that recovered during the past year. As a result of new contract negotiations with the Department of Welfare, the optical business after a decline last year will show an increase. This will not occur until the last half of the fiscal year but will be strong enough to make the full year a plus of ten to fifteen percent.

The program of sales concentration on major cities and towns during the past year was not productive. The sales organization followed the plan, made the effort, but the shrinking budgets made success unrealistic. Although we planned to continue this program into the new year, it appears that this will be revised now that the results and outlook have been evaluated.

Product Marketing

Our strategy for the new year is two-fold to maximize our current assets by keeping the capabilities available to us busy and to be certain that any new ventures have available a volume market readily accessible to us.

Our prime objective in Correctional Industries is to provide jobs and teach skills to inmates. We cannot teach skills without jobs and we cannot have jobs without sales volume. In order to create sales volume with the limited marketing organization we must service the captive market of state spending.

Master Plan

Marketing and Sales

We will continue to build on the limited success we enjoyed last year on the private sector. Programs where the private business provides to us raw material and in some instances machinery. We in turn provide low cost labor that cannot be duplicated other than the prison system or off shore. This portion of our business does not make a substantial contribution to overhead but does not require a substantial out lay of cash. The trade off in our current budget dilemma is a good one.

Marketing will make a concerted effort to control shop priorities in the new fiscal year. The urge to satisfy short term demands from people in high places must be transferred by commitments to existing customers and available sources. Customer service is defined as telling the customer what you are going to do - then do it! We must live up to our commitments and be certain they are realistic.

Many of our existing products have had no product improvement since their original introduction. This is an area of opportunity for design improvement and performance. Marketing will work closely with shop managers to bring some of these about in the coming year.

New Products

For all the reasons stated earlier new products will have limited activity in the new year. There are, however, some activities that do not require major expenditures that will be started or continued.

The fire retardant low smoke mattress program is currently being tested in four institutions with two different thickness levels. We anticipate the results in September which will finalize our specifications. An introduction in late fall is anticipated.

New products introduced in the past fiscal year, such as laundry bags, cemetery flags, optical cases should continue their growth pattern in the coming year.

Sales Projections

Unlike 1991 we enter the new year with a very low carry over of open orders. The small carry over is for capital projects in the furniture assembly business.

Marketing prepares two forecasts for the year one for actual shipments and the other for orders entered. The forecast for shipments is represented in the financial projections sections, the order entered forecast follows with a comparison of the prior year actual.

Master Plan

Marketing and Sales

BRUSHES

FY'91 Actual - \$59K
FY '92 Projected - \$60K

This product was flat last year and is expected to be the same this year. This performance is the result of a low priority in tight times.

SIGNAGE

FY'91 Actual - \$60K
FY '92 Projected - \$60K

Sales were up slightly last year. Service time is a big factor for more growth this year.

FLAGS

FY'91 Actual - \$133K
FY '92 Projected - \$140K

The gulf war had a positive effect in this business last year. The increase projected is related to cemetery flags.

ASSEMBLY

FY'91 Actual - \$1.22M
FY '92 Projected - \$1.3M

This flat projection represents the end of the prison expansion program.

UPHOLSTERY/PARTITION

FY'91 Actual - \$235K
FY '92 Projected - \$275K

The fine quality and service out of this shop will make this increase viable.

CUSTOM WOODWORKING

FY'91 Actual - \$39K
FY '92 Projected - \$50K

This represents one of three shops in this business. We plan on more concentration this year on refinishing.

Master Plan

Marketing and Sales

CLOTHING

FY'91 Actual - \$1.23 M
FY '92 Projected - \$1.20M

This projection covers two shops, the clothing shop at Norfolk and the sewing shop at Cedar Junction. We anticipate another good year for both.

BINDERS

FY'91 Actual - \$253K
FY '92 Projected - \$250K

This product continues to decline as agencies make do in a tight budget.

CLEANING SUPPLIES

FY'91 Actual - \$264K
FY '92 Projected - \$275K

Last year was an excellent growth year which will be difficult to exceed this year.

VALIDATION/LABELS

FY'91 Actual - \$288K
FY '92 Projected - \$380K

An increase of business from the Registry will make this an excellent year.

OPTICAL

FY'91 Actual - \$214K
FY '92 Projected - \$290K

Optical will have a good year with the new welfare contract.

SILK SCREENING

FY'91 Actual - \$53K
FY '92 Projected - \$50K

We have recently transferred some of this activity to a new shop at Cedar Junction. This projection is for SECC and primarily custom items.

Master Plan

Marketing and Sales

WOOD FURNITURE

FY'91 Actual - \$634K
FY '92 Projected - \$700K

Shipments will be down, even though, we are forecasting an increase in orders entered.

MATTRESSES

FY'91 Actual - \$468K
FY '92 Projected - \$465K

This projection could be conservative depending on the success of the low smoke product.

MODULAR FURNITURE

FY'91 Actual - \$403K
FY '92 Projected - \$400K

The attainment of these sales depend on state capital projects.

PRINTING

FY'91 Actual - \$605K
FY '92 Projected - \$650K

1991 was an excellent year and we expect continued growth based on our new quality and service.

METAL

FY'91 Actual - \$1.35M
FY '92 Projected - \$500K

Metal will be down this year as a result of the declining prison expansion program.

RENOVATION/CONSTRUCTION

FY'91 Actual - \$490K
FY '92 Projected - \$600K

This business is steady and will continue this year.

Master Plan

Operations

General

Goals for Fiscal Year '92 include:

The funding situation for FY'92 requires that our first goal, after the primary goal of security be self sufficiency.

We are designing our business systems to assist in developing and monitoring budgets.

These goals are detailed as follows:

1. Business and Management Information Systems

Our computer systems have come on line within budget and are operating better than planned but as staff becomes more computer literate the demands on the system for more speed and more information become greater. More powerful CPUs with updated software and large screens were installed at the end of FY '91. This greatly increased processing power and capability of secure electronic links with the institutions. This is a need to support full implementation of computer time standards, shop loading and production controls. It will also support further automation of order entry, order tracking, shop production control, material ordering, inventory control and cost reporting. It also allows us to go ahead with the installation of computer aided design systems in MCI-Norfolk and MCI-Concord to implement drafting documentation of our products as well as offering more skilled jobs to inmates. These improvements have been under test at OCCC and SECC. Substantial training was done for staff and inmates working in these areas and more is planned for this year.

2. Organization

Staff - With the requirement of significant expansion as well as the attrition of our current staff we are faced with major problems in our organization. These include, not just replacement of people, but the addressing of the skills and management capabilities to operate our shops. Manufacturing engineering skills such as product development, facility planning, facility implementation, environmental/safety compliance and facility maintenance are sorely needed. All of these tasks are now placed on our staff supervisors, shop managers and instructors but in times of high production they get set aside and leave us vulnerable to problems. We are a large enough operation to put in place permanent manufacturing engineering positions in these areas. These positions will be critical to the support of planned expansions. We plan to look at what positions can be gained by consolidation of current operations and continued centralization of functions but this may mean additional staff will be required.

Inmates - We are examining various bonus schemes to foster still better performance of our inmate work force as well as schemes to increase the number of inmates employed.

Training and Motivation of Staff

The cross training and technical training will be continued with the addition of environmental, safety, supervisory and security training. Training is essential as our business becomes more professional. We are still having problems finding and attracting qualified instructors. Our current attrition rate means that we will have to do extensive training to develop in-house people. Staff awards for performance were instituted in FY'90 and will be continued in '92. These are awards for professional performance emphasizing team work and the effect was positive.

Training and Motivation of Inmates

We will continue to build on the inmate incentive programs put in place in '89 by involving inmates in manufacturing planning areas associated with development and creation of new industries. This not only increases our ability to expand and put new jobs in place, but offers quality job content and training for inmates in the production planning and engineering areas. We also intend to push journeyman training wherever possible and offer certification (in conjunction with Voc. Ed.).

Master Plan

Operations

3. New Product and Process Development

We will continue strengthening and increasing in-house manufacturing planning capability to support development of new products as well as innovate shop operations with better tooling and process development in general. This will involve increase in staff training as well as use of inmate talent as much as possible.

In-house manufacturing planning capability will also allow us to become more vertically integrated by making more of the product and its components, down to the raw material stage, rather than purchasing parts and simply assembling components as we do now. This is necessary to increase the amount of inmates employed per sales dollar. Many of our current partnership ventures with private industry do not result in large amounts of inmates employed vs. the dollar value of the contract.

4. New Equipment and Facilities

Last year's high volume pointed up shortcomings in stocking, scheduling, warehouse facilities, manufacturing space, equipment and distribution capabilities. We are limited in these for our present levels of production and with the need to expand inmate employment, through new products and/or larger volumes of current products, we will continue to face major expenditures in this area.

Expenditures were made in '91 to upgrade current equipment and we plan to continue this in '92 as funds allow.

Graphic Arts

Business did grow in this area during FY'91 and we expect that it will in '92. Plans will continue to consolidate and computerize the image producing portion of this business. This will allow us higher quality and faster response to better service our customers in this traditionally fast turn around business. Planned improvements include color capability, improved type setting and customer proofs directly from the computer.

Woodworking/Furniture/Metal

These are our largest product areas and therefore the major candidates for expansion. Plans are to add more lines and to vertically integrate the business partnerships such as Moduform, Kinetics and This End Up in order to do more of the actual manufacturing of parts ourselves. New ventures in metal, wood and fiber resin furniture have been developed or are being evaluated. This will be dependent on our ability to find manufacturing space, equipment and staff as well as develop new markets.

We have developed methods and production techniques to enable us to use our large shops at MCI-Norfolk and MCI-Concord. in "Cut Parts" operations to develop and produce "Kits" for a product to be assembled at other institutions.

We are still evaluating taking another step in metal furniture, as a joint venture, to manufacture metal file cabinets. we have added a pipe bender in metal to open up new products and vertical integration of present products.

In keeping with the "Cut Parts" concept we are planning the addition of new burning and layout equipment either in our present metal shop facilities at MCI-Norfolk or new facilities at MCI-Shirley.

We have participated in a project to "fast track" a new combined Voc. Ed./Industries facility at NCCI Gardner with Gardner and DOC facilities. This will be 80,000 to 100,000 sq. ft. of manufacturing space now planned for expansion of wood/fibre resin furniture products. We are staying in close contact with this project to insure that Industries requirements are met.

Accreditation/Security/Safety

Major concerns are involved with assuring that all present and future equipment complies with all Federal and State safety and environmental regulations. We will continue our focus on environmental and security issues and refine the standards for all shops so that Industries can become accredited as an organization. However these will be implemented and maintained as standards for day to day operations regardless of the status of accreditation.

Master Plan

Renovation/Construction

General

Because of the absolute necessity to operate at self-sufficiency in FY'92, it will be necessary to implement revised strategies for operating this part of our business and implementing as many capital savings options as possible.

Weekly Meetings

To accomplish this, weekly meetings will be held by the manager with his R/C staff to discuss progress and to closely monitor budget estimates for each project. Each staff instructor will be required to visit job sites before starting each project to gain an overall perspective on the scope of work to be performed and to determine a time frame in which to complete the work. Instructors will be required to give a greater account of their stewardship for each project on which they participate.

Curtailment of Internal Projects

It will be necessary to curtail the number and frequency of projects which in previous fiscal years have been used for training or which have no immediate revenue return. Only those projects which were begun in FY'91 and need to be completed will be brought to a stable conclusion. There can be no product or provision of services without charge. The projects slated for completion are the conclusion of phase 3 of the central office complex addition and the space building for the expansion of the autobody program at Concord. Staff and inmate training will continue to be a matter of high priority, however, on the job training will make us somewhat more vulnerable to costly errors by less adequately trained inmates.

There is one other major project which was planned prior to the imposition of self-sufficiency on Industries by the General Court. This was a project for R/C to construct a retail sales store on DOC land in Concord at the route 2 circle. This store was to be used to sell inmate produced articles at retail of the Handicraft Industries program. The approvals necessary for this project have not yet been forthcoming, therefore, a decision to include this as a FY'92 project will have to be reviewed after approval to proceed is forthcoming. The project is attractive for the generation of inmate employment.

Work Expansion

A continuation of the satellite work programs at MCI Plymouth and Shirley will be undertaken only if sufficient projects are available and only if staff living in those areas can be recruited. Such recruitment would have to be justified financially since Industries will be required to fund all salaries from its revenue account. Renewed efforts for advertising R/C services to the cities, towns and municipalities of the Commonwealth will be essential for generating sufficient work, since legitimate projects must be limited to \$25,000 until the adverse ruling on R/C participation in many state bid projects can be overturned. In the past, many such projects dealing with police and fire stations, libraries, town offices as well as other small public work projects have supported the program.

Management Change

The retirement after 30 plus years of state service by the Manager of Renovation/Construction, Fred Oxford, will necessitate recruitment and transition to new management this fiscal year. It is hoped that new manager candidates will bring a selection of skills to the position which will facilitate the change of command and deal with the realities of the new imposed conditions under which we must operate.

Master Plan

Food and Farm Services

General

Farm Services is projecting sales of \$4.2 million for FY'92 and is seeking to operate at or close to self-sufficiency with an anticipated surplus of revenues over expenses of \$153,165. There is in these figures, however, no provision for depreciation or of any allowances to acquire new capital equipment. The allowed expenditures under the expenditure cap is essentially the same as FY'91 and will only just be adequate to purchase the amount of meat necessary to supply the needs of our existing customers. It is hoped that the DOC will agree to forward fund meat again in FY'92 in order to prevent purchases of meat consuming the allowed expenditure cap.

Northeastern Correctional Center Farm

The NCC dairy farm will continue to operate as a dairy enterprise as it has in previous years. This will require the planting and harvesting of 60 acres of corn silage, 80 acres of alfalfa and 30 acres of timothy hay to provide feed for the dairy herd consisting of 180 cows. Approximately 32 animals per year are sold for meat.

In addition, the NCC staff will milk, process, package and subsequently deliver the finished product to the end user facilities. Preventive maintenance of the equipment, as well as thorough cleaning and sanitation of the milk parlor and processing area is an absolutely necessary and ongoing practice to comply with all state and federal standards. During FY'91 NCC produced and shipped 1.6 million pounds of milk which derived sales revenues of \$500,000. FY'92 expenditures and sales are expected to be at approximately the same levels.

A new situation which has arisen could affect prices for our future milk sales. State purchasing has instituted a practice of soliciting milk bids regionally for the establishment of contracts for the purchase of milk for all state facilities. This could materially affect the prices which we will be able to charge our customers. Currently, although we sell milk only to DOC, we are now more vulnerable to market pricing than in earlier years because of these contracts.

Southeastern Correctional Center Farm

The dairy processing plant began operation in FY'91 after the completion of a capital expenditure project to rebuild the dairy barn and processing plant which had been destroyed by fire in 1984. This allowed the SECC farm to process and sell half pints and bulk containers of milk as does NCC to facilities of the DOC. Production of milk in this facility is slightly greater than those shown above for NCC and it is anticipated that combined sales of milk and milk by-products of 1.8 million pounds from this operation will derive revenues of \$700,000 in FY'92. Because of an expected increase in our capacity to produce milk at this location, it is hoped in future that with a lifting of the expenditure cap, we will be able to expand our customer base for milk products.

The SECC farm, also cultivates land for the production of animal feed (corn and hay), as is done at NCC. It is anticipated that 8 acres of the land now under cultivation with corn may be lost to our use if the DOC builds a boot camp for inmates on this tillable land in Bridgewater. Such a use has been reported. The loss of this land may affect our costs for animal feed marginally.

In a discussion relative to the piggery in Part I of the business plan, it was not mentioned that in the agreement with the institution to fund the staff salary, it is also agreed that all proceeds from the sale of animals will derive to Farm Services. Approximately 400 animals per year are sent to market.

MCI Shirley Meat Processing Plant

In fiscal year '91, the meat plant generated revenues of approximately \$3million. FY'92 will generate similar revenues with an anticipated surplus of revenue over expenses of \$300,000.

Master Plan

Food and Farm Services

This surplus will be used to subsidize the dairy operations which are expected to operate at less than self-sufficiency.

The meat plant processed and shipped 1,573,846 pounds of 28 different meat products in FY'91. This is expected to increase to 1.650 million pounds in FY'92 in anticipation of at least a five pct. increase in the inmate population.

Revised accounting practices will be implemented to bring Farm Services financial reporting more in line with Industries practices and will provide tighter cash flow control over use of program working capital and in measuring the success of the individual operations in meeting budget goals.

Master Plan

Administration/Finance

Merger of Food and Farm Services

With the inclusion of the Food and Farm Services Division into Correctional Industries appropriation accounts, financial functions must be merged. These functions include accounts payable, accounts receivable, personnel, purchasing and financial reporting. Financial systems will need to be modified to accomplish this merger of divisions.

Cash Flow Management

Due to the requirement that Correctional Industries Revenue Account will be funding an expense of \$3,200,000 for staff salaries in FY'92, cash flow management becomes most important. Administration/Finance will have the responsibility to administer this monetary flow in a manner so that sufficient funds are available to meet staff and inmate payrolls and production shop requirements.

Institutional spending budgets will be developed and maintained for each of the divisions' locations and for each production shop within.

Accounts Receivable

The aggressive collection of our receivables will be a top priority during FY'92. If self funding through receivables falls below our scheduled cash flow requirements, it will not be possible to acquire raw materials to properly operate all of our operations as planned.

Computerization

The continued expansion of financial functions performed by our computer network will continue during FY'92. All invoices will be generated from Central Office by the end of FY'92. Additional management information will be generated as a result of software upgrades being implemented.

Exhibit P - 1,2 Shows the FY'92 cash flow plans for consolidated Industries/Farm Services.

Exhibit P - 3,4,5,6

Shows FY'92 spending budgets by state appropriation and spending by each location within Industries and Farm Services and Consolidated Budget Analysis.

**CONSOLIDATED
CASH FLOW PLAN FY'92**

SPENDING LIMIT FY'92	13,114,257
EXPENSE BUDGET AMT. YTD 07/01/91	-0-
BALANCE TO REACH LIMIT	13,114,257

REVENUE RECAP FY'92

Spending Limit FY'92	13,114,257
Received to Date 07/01/91	-0-
Balance to Reach Limit	13,114,257

PLANNED EXPENDITURES FY'92*

Staff Payroll Industries	2,320,000
Staff Payroll Food and Farm Services	880,000
Food and Farm Services Budget**	3,219,000
Purchase of Vehicles FY'92	250,000
10,000 Dozen Towels	170,000
Inmate Wages, Industries	700,000
Inmate Wages, Food and Farm Services	81,000
Student Interns	28,800
Auto Body Manager Salary	38,500
Industries Administration Expenses	144,000
Rubbish Removal Contracts	22,700
Hazardous Waste Removal Contract	20,000
Industries Institutional Budgets	2,900,000
Furniture Assembly Materials	<u>1,100,000</u>
 TOTAL OF PLANNED SPENDING	 11,874,000
 UNSPECIFIED CASH RESERVE	 1,240,257

ESTIMATED FY'92 REVENUE RECEIPTS

Industries Receipts	9,000,000
Food and Farm Services **	<u>4,210,000</u>
	13,210,000

* These planned expenditures reflect the operation of our current shops only.
No expansion items are included in these budgets.

** If DOC purchases raw meat for Food and Farm Services this figure will be reduced.

FOOD AND FARM SERVICES
CASH FLOW PLAN FY'92

Exhibit P-2

SPENDING LIMIT	4,210,000
EXPENSE BUDGET AMT. YTD 7/01/91	-0-
BALANCE TO REACH BUDGET	4,210,000

REVENUE RECAP FY'92

Spending Limit	4,210,000
Received to Date 7/01/91	-0-
Balance to Reach Limit	4,210,000

PLANNED EXPENDITURES FY'92

Meatplant Operation	2,513,183
Northeast Correctional Center Farm	315,340
Southeastern Correctional Center Farm	360,530
Administration Expenses	41,050
Staff Payroll	<u>880,000</u>
TOTAL OF PLANNED SPENDING	4,110,103
UNSPECIFIED CASH RESERVES	<u>99,897</u>

ESTIMATED FY'92 REVENUE RECEIPTS

Food and Farm Services *	<u>4,210,000</u>
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* If DOC purchases raw meat for Food and Farm Services. This figure will be reduced.

**BUDGET PLAN FY'92
STATE APPROPRIATION**

State Appropriation FY 92	942,048
Less Auto Plate Shop Staff Salaries	<u>150,000</u>
	792,048
Less Plate Shop Inmate Wages	<u>65,000</u>
	727,048
Less 1 Month Staff Payroll	<u>335,000</u>
	392,048
Plate Shop Materials	<u>392,048</u>
	- 0 -

FOOD AND FARM SERVICES
SPENDING BUDGET BY ENTERPRISE

Exhibit P-4

<u>INSTITUTION</u>	<u>ENTERPRISE</u>	<u>AMOUNT</u>	
MCI-Shirley	<u>Meat Plant</u>		
	Inmate Wages	23,000	
	Raw Meat Product	2,419,363	
	Packaging	30,000	
	Lease-Freezer	8,000	
	Administration	2,400	
	Repairs	8,000	
	Spices	18,000	
	Linens	<u>4,420</u>	
	Total		<u>2,513,183</u>
	Farm	-0-	
NECC	<u>Dairy</u>		
	Inmate Wages	25,000	
	Animal Feed	77,000	
	Vehicles (Gas)	12,000	
	Dairy (Breeding Supplies)	35,000	
	Fertilizer/Seed	14,000	
	Lime	5,000	
	Packaging	53,600	
	Machine Leases	50,740	
	Repairs	25,000	
	Consultants	10,000	
	Misc	<u>7,500</u>	
	Total		<u>315,340</u>
SECC	<u>Dairy</u>		
	Inmate Wages	33,500	
	Animal Feed	92,500	
	Vehicles (Gas)	10,000	
	Dairy (Breeding Supplies)	28,860	
	Fertilizer/Seed	24,300	
	Lime	5,400	
	Packaging	73,250	
	Machine Leases	53,220	
	Repairs	23,000	
	Consultants	10,000	
	Misc	<u>6,500</u>	
	Total		<u>360,530</u>
Administration			
	Delivery Truck Fuel	20,000	
	Delivery Truck Repairs	10,000	
	Office Supplies	2,000	
	Telephone	5,000	
	MVMB	2,000	
	Copier	2,000	
	Postage	2,500	
	Misc	<u>3,050</u>	
	Total		<u>41,050</u>
TOTAL OF ALL ENTERPRISE BUDGETS			<u>3,230,103</u>

FY'92 SPENDING BUDGETS BY SHOP
(Industries)

<u>INSTITUTION</u>	<u>SHOP</u>		<u>AMOUNT</u>	<u>FY'92 REVENUE ESTIMATE</u>
Old Colony	Print Shop		<u>320,000</u>	<u>650,000</u>
MCI-Norfolk	Furniture Shop	180,000		
	Metal Shop	370,000		
	Clothing Shop	340,000		
	Mattress Shop	250,000		
	Janitorial Shop	110,000		
	Uph/Part. Shop	110,000		
	Norfolk Total		<u>1,360,000</u>	<u>3,060,000</u>
SECC	Binder Shop	120,000		
	Silkscreen Shop	60,000		
	Sign Shop	60,000		
	SECC Total		<u>200,000</u>	<u>380,000</u>
MCI-Concord	Furniture Shop		<u>340,000</u>	<u>750,000</u>
MCI-Fram.	All Operations		<u>80,000</u>	<u>140,000</u>
NCCI-Gardner	Optical Shop	140,000		
	Custom Wood	20,000		
	NCCI Total		<u>160,000</u>	<u>265,000</u>
Reno/Const.	Reno/Const.	250,000		
	Auto Shops	40,000		
	Reno/Const. Total		<u>290,000</u>	<u>700,000</u>
MCI-Walpole	Brush Shop	10,000		
	Validation Shop	130,000		
	Sewing Shop	10,000		
	MCI-Cedar Junction Total		<u>150,000</u>	<u>1,930,000</u>
TOTAL OF ALL INDUSTRIES SHOP BUDGETS			2,900,000 *	7,875,000

* Not including Auto Plate Shop, Sheets, Towels, or Furniture Assembly materials

FY'92 INDUSTRIES/FARM SERVICES

BUDGET ANALYSIS

Spending Limit FY'92	\$13,114,257
Less Farm Services Budget	<u>3,230,103</u>
	9,884,154
Less Staff Salaries	<u>3,200,000</u>
	6,684,154
Less Farm Inmate Wages	<u>81,000</u>
Industries Spending Limit	6,603,154

*Note: Industries spending limit FY'91 was \$6,554,920

Industries FY'92 spending limit can be increased if DOC will continue to forward fund meat.





MASSCOR
Massachusetts
Correctional Industries

Business Plan

- Section III -
Financial Reports



Financial Statements

Notes and Reference

General

The financial statements appear in the final pages of this report. For FY'92 and beyond, Correctional Industries has developed a systematic plan to provide pro-formal financial statements, capital expenditure budgets and cash flow analysis in a timely manner for management.

Effect of Reduced License Plate Sales

The failure to sufficiently fund the auto plate account has resulted in a reduced sales total for this product line. This reduction in sales has had a negative effect on Correctional Industries individual shop profit and loss statements.

This is caused by the fact that the Auto Plate Shop is not absorbing the percentage of S.G.&A overhead as anticipated when projections for FY'91 were developed. The plate shop is operating at a production level which is only a fraction of its capacity.

In our FY'92 projections sales from the Auto Plate Shop, has been further reduced, to again show that sufficient funding has not been provided by State appropriation. In our projections for FY'93 and FY'94, anticipated sales of Auto Plates have been increased to reflect the results of proper state appropriation. If FY'93 and FY'94 Auto Plate funding are below projections the overall industries operation will show a small loss instead of a small profit for both financial years.

Exhibit A

Consolidated Statement of Operations for Fiscal Years 1991, 1990, and 1989 - Demonstrates the profit and loss of each facility and the program as a whole.

Exhibit B -1

Shows the actual sales and profit (loss) for each shop for fiscal year 1991.

Exhibit B-2,3 & 4

Shows the projected sales and profits (shortfall) for each shop for the fiscal years 1992, 1993 and 1994. These projections are based on the current economic conditions within the Commonwealth and its political sub-division as well as our in-house projections.

Exhibit C

A bar graph demonstrating the sales and receipt collections over the last nine (9) fiscal years.

Financial Statements

Notes and Reference

Summary of Significant Accounting Policies

Massachusetts Correctional Industries is a program within the Massachusetts Department of Correction. The establishment and maintenance of this program is sanctioned under the General Laws of Massachusetts, Chapter 127, Section 51. Massachusetts Correctional Industries has 22 shops operating in eight penal facilities located throughout Massachusetts.

Food and Farm Services operate three programs in three penal facilities located throughout the state.

Substantially most of the program's sales are made to state and local governmental agencies and non-profit entities.

The accompanying financial statements have been prepared on an accrual basis. Inter-facilities transactions, including profits and losses, have not been eliminated in the consolidation.

Plant and Equipment

Plant and equipment are capitalized at cost or appraised value for donated property and include expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and other minor renewals are expensed as incurred. When properties are disposed of, the related cost and accumulated depreciation are removed from the respective accounts with any gain or loss included in the determination of income. The straight line method of depreciation is used for all depreciable assets. Rates of depreciation are generally based on useful life guidelines.

Inventories

Finished goods inventory is valued at the lower cost or market. Raw materials and supplies inventory are valued using the moving average cost method.

The policy and procedures which have been implemented in regard to inventory taking have provided a useful management tool. We are now able to identify surplus, obsolete materials and finished goods.

Financial Statement

Exhibit A - Consolidated Statement of Operations - FY '91, '90, '89

FY '91	WALPOLE AUTO PLT	WALPOLE OTHER	NORFOLK ALL	CONCORD ALL	FRMGHM ALL	BRDGWTR S.E.C.C.	GARDNER N.C.C.I.	BRDGWTR O.C.C.C.	RNVTN CNSTR	TOTAL OPRTNS
TTL REV	\$1,841,828	\$2,239,868	\$3,706,728	\$1,056,797	\$128,286	\$371,094	\$250,639	\$584,455	\$648,330	\$10,828,025
LESS FIN GDS	\$1,686,907	\$1,820,190	\$2,731,055	\$793,170	\$106,611	\$395,992	\$176,259	\$580,275	\$386,352	\$8,676,811
GROSS PROFIT	\$154,921	\$419,678	\$975,673	\$263,627	\$21,675	(\$24,898)	\$74,380	\$4,180	\$261,978	\$2,151,214
UNABSRBD O.H.	(\$85,814)	\$35,404	\$68,510	\$54,687	\$49,124	\$17,300	\$178,938	\$56,467	\$331,596	\$706,212
OPERATING PFT.	\$240,735	\$384,274	\$907,163	\$208,940	(\$27,449)	(\$42,198)	(\$104,558)	(\$52,287)	(\$69,618)	\$1,445,002
LESS S. G.&A.	\$213,078	\$134,576	\$315,029	\$88,698	\$10,195	\$51,995	\$31,605	\$83,600	\$90,736	\$1,019,512
NET PROFIT	\$27,657	\$249,698	\$592,134	\$120,242	(\$37,664)	(\$94,193)	(\$136,163)	(\$135,887)	(\$160,354)	\$425,490
FY '90										
TTL REV	\$1,968,500	\$1,382,209	\$3,125,607	\$749,710	\$92,489	\$402,822	\$268,329	\$395,262	\$740,692	\$9,125,620
LESS FIN GDS	\$1,244,225	\$1,066,743	\$2,264,278	\$547,822	\$51,303	\$490,257	\$155,278	\$90,918	\$407,243	\$6,318,067
GROSS PROFIT	\$724,275	\$315,466	\$861,329	\$201,888	41186	(\$87,435)	\$113,051	304344	\$333,449	\$2,807,553
UNABSRBD O.H.	\$320,699	\$97,352	\$491,350	\$119,499	\$86,268	*\$28,035	\$158,880	\$405,705	\$246,160	\$1,897,878
OPERATING PFT.	\$403,576	\$218,114	\$369,979	\$82,389	(\$45,082)	(\$59,400)	(\$45,829)	(\$101,361)	\$87,289	\$909,675
LESS S. G.&A.	\$367,787	\$148,486	\$259,279	\$84,523	\$26,271	\$61,679	\$33,124	\$66,246	\$94,802	\$1,142,197
NET PROFIT	\$35,789	\$69,628	\$110,700	(\$2,134)	(\$71,353)	(\$121,079)	(\$78,953)	(\$167,607)	(\$7,513)	(\$232,522)
FY '89										
TTL REV	\$2,805,080	\$2,109,317	\$3,037,989	\$581,442	\$131,546	\$527,862	\$224,227	\$444,137	\$907,714	\$10,769,314
LESS FIN GDS	\$1,804,667	\$1,563,286	\$2,178,650	\$457,217	\$100,464	\$416,998	\$139,163	\$341,834	\$494,713	\$7,496,992
GROSS PROFIT	\$1,000,413	\$546,031	\$859,339	\$124,225	\$31,082	\$110,864	\$85,064	\$102,303	\$413,001	\$3,272,322
UNABSRBD O.H.	\$290,987	\$190,379	\$313,798	\$216,454	\$52,136	\$132,051	\$196,935	\$242,513	\$308,790	\$1,944,043
OPERATING PFT.	\$709,426	\$355,652	\$545,541	(\$92,229)	(\$21,054)	(\$21,187)	(\$111,871)	(\$140,210)	\$104,211	\$1,328,279
LESS S. G.&A.	\$308,612	\$137,057	\$217,562	\$70,923	\$22,044	\$39,295	\$27,794	\$55,589	\$79,549	\$958,425
NET PROFIT	\$400,814	\$218,595	\$327,979	(\$163,152)	(\$43,098)	(\$60,482)	(\$139,665)	(\$195,799)	\$24,662	\$369,854

ANALYSIS OF PROFITABILITY	FY '91	FY '90	FY '89
Profit/Loss with Auto Plate	\$425,490	\$232,522	\$369,854
Profit/Loss without Auto Plate	\$397,833	(\$268,311)	(\$30,960)
Extraordinary Cost Note (A)		\$245,874	\$63,800
Net Profit/for (Loss)	\$397,833	(\$22,437)	\$32,840

*OVERABSORBED O/H

Financial Statement

Exhibit B-1

Fiscal Year 1991 Profit/Loss Actual

INSTITUTION/SHOP		ACT SLS	SG&A	CST TO SLS	PRET(LOSS)
NORFOLK	CLOTHING	\$835,754	\$70,882	\$785,298	(\$20,426)
	FURNITURE	\$394,147	\$33,393	\$366,904	(\$6,150)
	JANITORIAL	\$274,631	\$23,627	\$201,641	\$49,363
	PART/UPHOL	\$274,670	\$23,627	\$255,836	(\$4,793)
	METAL	\$1,485,592	\$126,011	\$794,751	\$564,830
	MATTRESS	\$441,934	\$37,489	\$395,136	\$9,309
	TOTAL	\$3,706,728	\$315,029	\$2,799,566	\$592,133
WALPOLE	VALIDATION	\$362,688	\$21,801	\$307,154	\$33,733
	SEWING	\$440,019	\$26,377	\$325,935	\$87,707
	BRUSH	\$61,425	\$3,634	\$41,499	\$16,292
	ASMBLY	\$1,375,736	\$82,764	\$1,181,007	\$111,965
	AUTO PLATE	\$1,841,828	\$213,078	\$1,601,093	\$27,657
	TOTAL	\$4,081,696	\$347,654	\$3,456,688	\$277,354
FRMNGHM	FLAG/TAG	\$128,286	\$10,195	\$155,735	(\$37,644)
CONCORD	FURNITURE	\$1,056,797	\$88,698	\$847,857	\$120,242
GARDNER	OPTICAL	\$212,606	\$26,801	\$250,264	(\$64,459)
	WOOD	\$38,033	\$4,804	\$104,933	(\$71,704)
	TOTAL	\$250,639	\$31,605	\$355,197	(\$136,163)
O.C.C.C.	PRINT	\$584,455	\$83,600	\$636,742	(\$135,887)
S.E.C.C.	BINDERY	\$261,762	\$36,656	\$249,280	(\$24,174)
	SILKSCREEN	\$47,259	\$6,603	\$83,279	(\$42,623)
	SIGN	\$62,073	\$8,736	\$80,733	(\$27,396)
	TOTAL	\$371,094	\$51,995	\$413,292	(\$94,193)
RENOV/CONST		\$648,330	\$90,736	\$717,948	(\$160,354)
SUB TOTAL		\$10,828,025	\$1,019,512	\$9,383,023	\$425,490
NET LESS AUTO PLATE		\$1,841,828	\$213,078	\$1,601,093	\$27,657
NET IND TOTAL		\$8,986,197	\$806,434	\$7,781,930	\$397,833
MEAT PLANT		\$3,066,326	\$203,408	\$2,702,692	\$160,227
NCC		\$462,116	\$31,076	\$574,320	(\$143,280)
SECC		\$691,519	\$45,202	\$786,291	(\$139,974)
SHIRLEY		\$45,811	\$2,825	\$189,434	(\$146,448)
NET IND/FARM TOTALS		\$13,251,970	\$1,088,945	\$12,034,666	\$128,359

Financial Statement

Exhibit B-2

Fiscal Year 1992 Projected Profit/Loss

INSTITUTION/SHOP		ACT SLS	SG&A	CST TO SLS	PRFT(LOSS)
NORFOLK	CLOTHING	\$850,000	\$103,683	\$765,000	(\$18,683)
	FURNITURE	\$400,000	\$48,858	\$360,000	(\$8,858)
	JANITORIAL	\$285,000	\$34,685	\$250,250	\$42,265
	PART/UPHOL	\$275,000	\$33,566	\$280,050	(\$8,816)
	METAL	\$800,000	\$97,343	\$600,000	\$102,657
	MATTRESS	\$450,000	\$54,825	\$400,500	(\$5,325)
	TOTAL	\$3,060,000	\$372,960	\$2,583,800	\$103,240
WALPOLE	VALIDATION	\$380,000	\$45,837	\$319,200	\$14,963
	BRUSH	\$65,000	\$8,042	\$45,500	\$11,458
	ASMBLY	\$1,300,000	\$156,811	\$1,118,000	\$25,189
	SHEETS/TWLS	\$185,000	\$22,516	\$148,000	\$14,484
	AUTO PLATE	\$1,400,000	\$168,874	\$1,260,000	(\$28,874)
	TOTAL	\$3,330,000	\$402,080	\$2,890,700	\$37,200
FRMNGHM	FLAG/TAG	\$140,000	\$16,800	\$161,000	(\$37,800)
CONCORD	FURNITURE	\$750,000	\$89,600	\$637,500	\$22,900
GARDNER	OPTICAL/WOOD	\$265,000	\$31,360	\$304,750	(\$71,110)
O.C.C.C.	PRINT	\$650,000	\$78,400	\$585,000	(\$13,400)
S.E.C.C.	BINDERY	\$270,000	\$31,808	\$243,000	(\$4,808)
	SILKSCREEN	\$50,000	\$5,914	\$80,000	(\$35,914)
	SIGN	\$60,000	\$7,078	\$77,000	(\$24,078)
	TOTAL	\$380,000	\$44,800	\$400,000	(\$64,800)
RENOV/CONST		\$700,000	\$84,000	\$770,000	(\$154,000)
SUBTOTAL		\$9,275,000	\$1,120,000	\$8,332,750	(\$177,750)
NET LESS AUTO PLATE		\$1,400,000	\$168,874	\$1,260,000	(\$28,874)
NET IND TOTAL		\$7,875,000	\$951,126	\$7,072,750	(\$148,876)
SHIRLEY/MEAT PLANT		\$3,050,000	\$169,758	\$2,582,770	\$297,472
NCC/DAIRY		\$456,000	\$25,747	\$598,473	(\$168,220)
SECC/DAIRY		\$704,000	\$40,270	\$663,871	(\$141,000)
NET FARM TOTAL		\$4,210,000	\$235,775	\$3,845,114	\$129,111
NET IND/FARM TOTAL		\$12,085,000	\$1,186,901	\$10,917,864	(\$19,765)

Financial Statement

Exhibit B-3

Fiscal Year 1993 Projected Profit/Loss

<u>INSTITUTION/SHOP</u>	<u>ACT SLS</u>	<u>SG&A</u>	<u>CST TO SLS</u>	<u>PRFT(LOSS)</u>
NORFOLK CLOTHING	\$900,000	\$90,183	\$810,000	(\$183)
FURNITURE	\$424,000	\$42,496	\$381,600	(\$96)
JANITORIAL	\$302,000	\$30,169	\$220,460	\$51,371
PART/UPHOL	\$292,000	\$29,196	\$265,720	(\$2,916)
METAL	\$850,000	\$84,668	\$637,500	\$127,832
MATTRESS	\$477,000	\$47,688	\$424,530	\$4,782
TOTAL	\$3,245,000	\$324,400	\$2,739,810	\$180,790
WALPOLE VALIDATION	\$400,000	\$39,741	\$336,000	\$24,259
BRUSH	\$69,000	\$7,013	\$42,000	\$19,987
ASMBLY	\$1,378,000	\$137,923	\$1,185,080	\$54,997
SHEETS/TWLS	\$200,000	\$19,870	\$160,000	\$20,130
AUTO PLATE	\$3,800,000	\$379,873	\$2,964,000	\$456,127
TOTAL	\$5,847,000	\$584,420	\$4,687,080	\$575,500
FRMNGHM FLAG/TAG	\$150,000	\$14,580	\$165,000	(\$29,580)
CONCORD FURNITURE	\$795,000	\$78,975	\$675,750	\$40,275
GARDNER OPTICAL/WOOD	\$280,000	\$27,945	\$322,000	(\$69,945)
O.C.C.C. PRINT	\$690,000	\$69,255	\$621,000	(\$255)
S.E.C.C. BINDERY	\$285,000	\$28,467	\$256,500	\$33
SILKSCREEN	\$53,000	\$5,293	\$84,800	(\$37,093)
SIGN	\$64,000	\$6,335	\$80,000	(\$22,335)
TOTAL	\$402,000	\$40,095	\$421,300	(\$59,395)
RENOV/CONST	\$742,000	\$75,330	\$790,650	(\$123,980)
SUB-TOTAL	\$12,151,000	\$1,215,000	\$10,422,590	\$513,410
LESS AUTO PLATE	\$3,800,000	\$379,873	\$2,964,000	\$456,127
NET IND TOTAL	\$8,351,000	\$835,127	\$7,458,590	\$57,283
SHIRLEY MEAT PLANT	\$3,263,000	\$181,207	\$2,774,000	\$307,793
NCC-DAIRY	\$470,000	\$25,992	\$611,000	(\$166,992)
SECC-DAIRY	\$725,000	\$40,351	\$681,500	\$3,149
NET FARM TOTAL	\$4,458,000	\$247,550	\$4,066,500	\$143,950
NET IND/FARM TOTALS	\$12,809,000	\$1,082,677	\$11,525,090	\$201,233

Financial Statement

Exhibit B-4

Fiscal Year 1994 Projected Profit/Loss

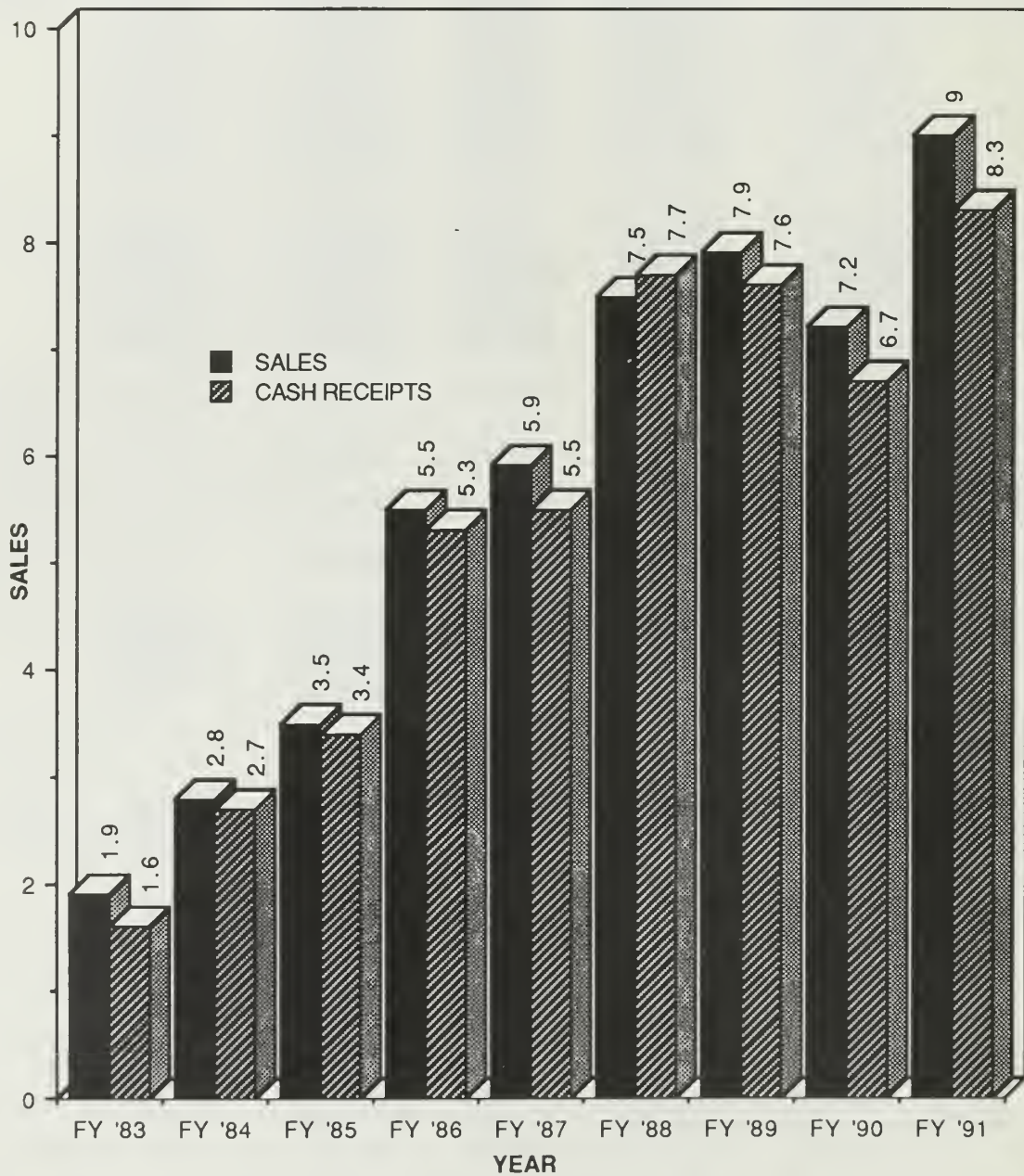
INSTITUTION/SHOP		ACT SLS	SG&A	CST TO SLS	PRET(LOSS)
NORFOLK	CLOTHING	\$950,000	\$95,702	\$855,000	(\$702)
	FURNITURE	\$447,000	\$45,097	\$402,300	(\$397)
	JANITORIAL	\$320,000	\$32,015	\$233,600	\$54,385
	PART/UPHOL	\$308,000	\$30,983	\$280,280	(\$3,263)
	METAL	\$895,000	\$89,849	\$671,250	\$133,901
	MATTRESS	\$504,000	\$50,604	\$448,560	\$4,836
	TOTAL	\$3,424,000	\$344,250	\$2,890,990	\$188,760
WALPOLE	VALIDATION	\$422,000	\$42,305	\$354,480	\$25,215
	BRUSH	\$73,000	\$7,252	\$1,250,440	\$56,703
	ASMBLY	\$1,454,000	\$146,857	\$810,000	\$14,376
	SHEET/TWLS	\$231,000	\$23,570	\$184,800	\$22,630
	AUTO PLATE	\$3,800,000	\$384,366	\$2,964,000	\$451,634
	TOTAL	\$5,980,000	\$604,350	\$4,804,820	\$570,830
FRMNGHM	FLAG/TAG	\$160,000	\$16,575	\$176,000	(\$32,575)
CONCORD	FURNITURE	\$840,000	\$84,150	\$714,000	\$41,580
GARDNER	OPTICAL/WOOD	\$295,000	\$29,325	\$330,400	(\$64,725)
O.C.C.C.	PRINT	\$728,000	\$73,950	\$655,200	(\$1,150)
S.E.C.C.	BINDERY	\$300,000	\$30,779	\$270,000	(\$779)
	SILKSCREEN	\$56,000	\$5,722	\$84,000	(\$28,572)
	SIGN	\$67,000	\$6,849	\$83,750	(\$23,599)
	TOTAL	\$423,000	\$43,350	\$437,750	(\$58,100)
RENOV/CONST		\$783,000	\$79,050	\$822,150	(\$118,200)
SUB-TOTAL		\$12,633,000	\$1,275,000	\$10,831,310	\$526,690
LESS AUTO PLATE		\$3,800,000	\$384,366	\$2,964,000	\$451,634
NET IND TOTAL		\$8,833,000	\$890,634	\$7,867,310	\$75,056
SHIRLEY MEAT PLANT		\$3,490,000	\$192,140	\$2,966,500	\$331,360
NCC-DAIRY		\$484,100	\$26,780	\$624,360	(\$167,040)
SECC-DAIRY		\$746,700	\$41,080	\$701,900	\$3,720
NET FARM TOTAL		\$4,720,800	\$260,000	\$4,292,760	\$168,040
NET IND/FARM TOTALS		\$13,553,800	\$1,150,634	\$12,160,070	\$243,096

Financial Statement

Exhibit C

9 Year comparison - Sales Vs Cash Receipts

Dollars in Millions

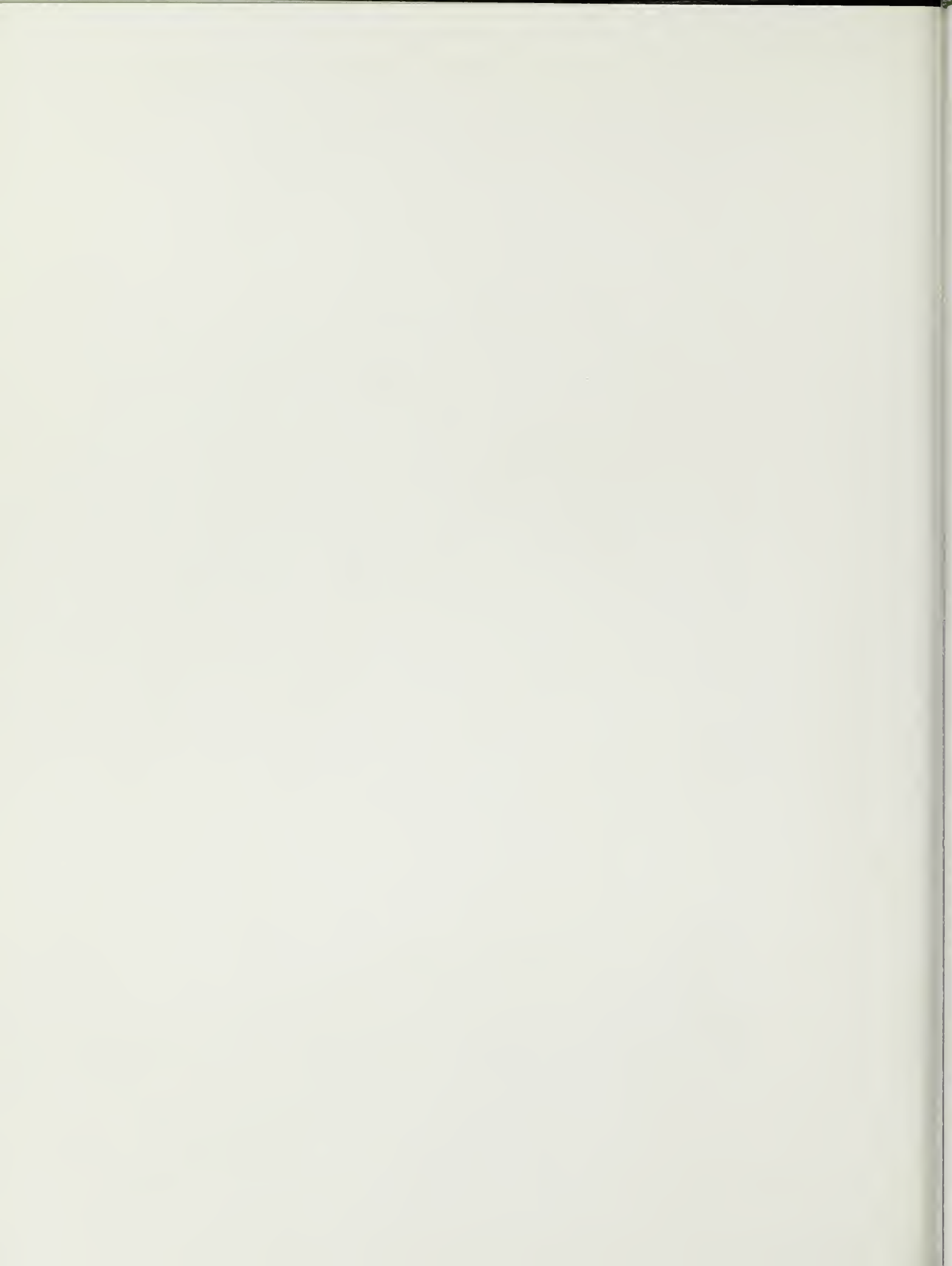






Commonwealth of Massachusetts
Department of Correction
Larry E. DuBois
Commissioner

Massachusetts Correctional Industries





Massachusetts
Correctional Industries

Business Plan

- Section I -
Report of Business Operations
Fiscal Year 1992

Hutch Aghjayan
Director
Industries

Marianne Luppold
Director
Farm services

Dave Cook
Deputy Director
Operations

Paul Mercier
Deputy Director
Admin./Fin.

Mike Braz
Deputy Director
Marketing

Ray Quirk
Deputy Director
Quality Control

E. Thomas Flynn
Supervisor
Reno/Const

Mission Statement

To relieve boredom; to help defray cost of incarceration and; to provide work opportunities to offenders through development of their occupational skills and discipline that would enhance their qualifications for re-integration into society.
To employ the maximum number of offenders possible that is consistent with effective use of program capital and maintaining the safety of the public.



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Business Report

Director's Letter

I am pleased to report that the program for FY'92 again operated near self-sufficiency. FY'92 was the first year in which Correctional Industries was required to fund most of its own staff salaries from revenues rather than from a state appropriation. The staff salaries and overhead expenses associated with license plate manufacturing continued to be funded out of state appropriation.

Shipped sales for FY'92 were \$12,420,721 excluding license plates. This represented a 9.3% decrease over the previous fiscal year. License plate sales declined again in FY'93 to \$1,259,871 from \$1,841,828 the previous year, reflecting the continued decline in appropriations for that purpose. This is reflected in the overall sales comparison of FY'92 over FY'91 \$13,680,592 vs \$15,093,798.

The program continues to operate under an expenditure cap which amounted to \$13.114 million in FY'92 which included the first full year of operations of the Food and Farm Services division as a department of Correctional Industries. Food and Farm Services operations were also at self-sufficiency, although farm operations were not able to generate surplus funds for investment in capital equipment replacement which is needed as some of our farm machinery ages. We continue to trust that the expenditure cap will eventually be raised sufficiently or eliminated to allow for expansion of our farm operations into new revenue generating products which will allow us to recapitalize this part of our business.

The Industries operations were able to generate sufficient surplus cash to acquire an additional semi-trailer rig with a tractor and two boxes for the improvement of future distribution capabilities. Also acquired was a new dump truck and other small replacement vehicles to support our Renovation/Construction operations.

FY'92 manufacturing operations were again strongly supported by sales of furnishings and equipment for prison expansion. The continued strong growth in the numbers of incarcerated adults and the trend of legislation toward mandatory longer sentencing would appear to ensure continued demand for these furnishings, although with some hiatus probable pending the passage of additional capital monies for further new prison construction.

Two National Institution of Corrections (NIC) grants were obtained in FY'92 one of which provided for an evaluation of the Industries program. The consultant found basically that the program was sound and operating efficiently within available resources and constraints. To position the program better to grow if constraints were lifted, however, recommendations were made to close down or consolidate certain operations and to concentrate efforts on those Industries which are large employers of inmate labor and to avoid those which are based on the manufacture of custom products and which might be viewed and handled better as cottage industries. These recommendations were reviewed and have resulted in changes which are in process and will be described in detail elsewhere in this FY'93 business plan.

The consultant also recommended an overhaul of the marketing/sales function and plans are in progress to devote major attention toward upgrading and systematizing our new business development mechanisms for strategic positioning pending future withdrawal or easing of the current constraints under which the program operates.

The second of the two grants from NIC was used to take a major step in implementing a "Total Quality Management" approach to our business and utilizing the funds from the grant, two of our senior staff personnel were sent to PRIDE of Florida to review and examine their system for possible adaptation to Massachusetts Correctional Industries. This program is on the track toward implementation.

Business Report

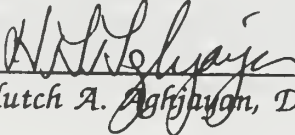
Director's Letter

Two committees consisting of institution superintendents, were initiated by Commissioner DuBois to examine ways in which inmate employment could be increased within the program. One committee studied a split jobs proposal and a modification of the inmate pay structure. The second committee studied the feasibility of a Cottage Industries program. The proposals put forth by these committees have been adopted and implemented. Employment in the Industries program in FY'92 averaged 500/month. This is compared to the FY'91 average of 472/month.

We can all take pride in the way that Industries was able to benefit the Department of Correction in FY'92 by completing the major building expansion undertaken the previous year. The addition to Industries Central Office created new office space for the relocation of the DOC Education unit from Longwood and the Internal Audit group from Norfolk. New space was also made available for the County Classification unit and for Management Systems. In the addition, a new field office was outfitted and furnished for Commissioner DuBois and a large conference room for departmental use.

In summary, FY'92 will be recorded as a watershed year in which significant changes in the direction of the program were initiated by the actions of the legislature, a new administration, and by our new Commissioner. New leadership has emerged for the program as well with a welcome to our new Associate Commissioner of Programs and Treatment, Mr. Ernest Vandergriff.

The mission of the Industries program to offer employment opportunities to the maximum number of inmates consistent with efficient use of the programs resources will continue to offer a challenge to Industries staff. I believe that Industries staff deserves a hearty well done for what has been accomplished in FY'92 and has demonstrated that it is equal to whatever challenges the new fiscal year will bring.


Hutch A. Aguiar, Director

Business Report

Marketing and Sales

General

Shipments for Fiscal Year '92 were \$8,730,565.49. These figures were reached primarily through prison expansion that involved furniture assembly and metal products. Furniture Assembly, Renovations, Validation, Janitorial and Optical divisions were the leaders in expanded sales over fiscal year '91 totals. The metal shop, although not an increase, posted over a million dollars in sales. We experienced an increase in shipments from Correctional Industries to our neighboring states which helped to open new markets.

Marketing and Sales continued its efforts to acquire business through its traditional sales territories. This kept our responsiveness level high, however, it did not afford us inroads to market expansion.

Other Factors

Cities and towns again showed a decline in sales performance as a percentage of total sales. Purchasing power in this area has been extremely price sensitive and the product base is widely varied and unique. Future sales in this market must revolve around the strength in our product line.

Prison expansion in Hampden County was the last of such orders in this group of projects. It offered us large requirements in a variety of products and had a positive effect on our bottom line.

New Products

The level of activity in the new computer oriented furniture proved to be a worthwhile addition to our line. Enough sales were generated in this product to make it one of the leaders in overall sales dollars entered.

Signs designating "Drug Free School Zones" were established. This item offered to cities and towns was a huge success and an extremely valuable deterrent to crime in school areas.

The Braille shop is underway and offering Braille transcribing services. Although limited in output it is capable of performing a worthwhile service.

Sales Analysis

This year we had six shops with sales in excess of half a million dollars. MCI-Norfolk's metal shop and MCI-Cedar Junction's furniture assembly shop. Both shops had sales in excess of one million dollars. Norfolk's clothing, Concord's furniture, Old Colony's print and the Renovation/Construction shops finish off the list in this category.

The analysis of sales by issuing authority is represented in the following percentages. State Agencies represented 40% of total sales, 27% for the Department of Correction, 19% for County Correctional Facilities, 6% for miscellaneous, 5% for private sales and 3% for cities and towns.

Business Report

Operations

General

The past year saw accomplishment of our primary goal for FY'92, self-sufficiency. While some individual shops were not fully self-sufficient, overall shop operations were. This was accomplished without the benefit of price increases and in the face of tighter security regulations that increased our cost of operations, this was an outstanding performance by our staff.

There was also significant activity in new product investigation and the implementation of improved production techniques. This included redesign of our fiber resin furniture line, enhancement of some of our custom wood furniture and a broom winding operation that has been started at NCCI (Gardner). Further improvements were made in our metal shop production operations.

A Quality Control program was launched with the appointment of a Quality Control Deputy Director. The goal is to enhance the quality of our products, reduce costs and satisfy customers. The new deputy and the supervisor of our largest facility, (MCI-Norfolk), were sent to view PRIDE of Florida's Correctional Industries Quality Program. They came back and developed a comprehensive plan for the implementation of our quality program. We have already made changes in our labor reporting to enhance traceability and identification of quality problems.

Accreditation Safety and Security

We have established better control over hazardous materials including the "Right to Know" training. A file of all MSDS sheets has been established on the computer. New training materials have been obtained and distributed. Two additional "Right to Know" coordinators have been appointed to insure that these issues are addressed.

Organization

Staffing

We continue to emphasize staff development and cross training to build as strong a staff as possible. New and skilled people have been added to the clothing and sign shops.

Training

Staff personnel have accomplished the required hours of technical training as well as cross training to improve our communication and position backups.

Inmates

A new pay plan was instituted that substantially lowers the cost of inmate payroll.

Shop Loads

MCI-Norfolk - The metal shop continues at a high load level. They received and completed orders from the state of Connecticut as well as a major refurbishing order for MCI-Norfolk. Norfolk's clothing shop, mattress shop and janitorial shop have experienced good loads but the furniture and upholstery shops operated at a very low level of orders.

MCI-Concord - This facility experienced low order levels through most of the year with a pick up at the end of the fiscal year.

MCI-Cedar Junction - The plate, brush and sewing shops are slow but the furniture assembly shop has been busy with jobs, furnishings and equipment supporting continued prison expansion.

SECC - This unit has and is expected to continue to suffer from reduced backlogs due to the fiscal climate in the state.

Business Report

Operations

NCCI - (Gardner) - The optical shop is experiencing increases from optical contracts and the custom woodworking shop is busy with overflow work from MCI-Concord as well as the handicraft program.

MCI-Framingham - Most of Framingham's work is being moved to SECC as we expect to reduce Framingham to an industrial training facility.

Old Colony CC - The print shop continues to improve in both work load and capabilities.

Business Report

Renovation/Construction

The Renovation/Construction group of Correctional Industries ended FY'92 with sales over projections by \$164,000. However, after assignment of division overhead, the division fell short of breakeven by (\$39,810). These results are not representative of the potential of this division to perform at breakeven. Several factors impacted this division in FY'92, the following are some of the highlights.

Correctional Industries in FY'92, as in prior fiscal years, has undertaken extensive internal construction projects in order to provide training in construction trades to as many minimum security inmates as possible. Completed in February of FY'92 were the major additions to the Central Industries Offices in Norfolk. This new office space now serves as a field office for the Commissioner of the Department of Correction and Central Offices for other DOC Divisions such as Education, Management Systems, Internal Audit, and County Classifications.

Another new building soon to come on line is the Multi-Bay Space building on the grounds at MCI-Concord. This building is being equipped with a spray booth, classroom facilities and the necessary equipment to function as a training facility for the expansion of the Auto Body Shop Training Program. These major construction projects serve not only as a training program for inmates to develop skills in the building trades but also create valuable assets for the Department of Correction. The expenses associated with these projects are assigned to overhead but the work is performed at cost by Renovation/Construction and has an effect on self-sufficiency. To help maintain self-sufficiency, Renovation/Construction contracts their services with other state and city agencies.

The scope of these projects vary from the installation of a service counter or the painting of a room, to the complete renovation of the Department of Public Safety offices and the installation of new panel system work stations.

With the varied trade experience of our instructors, Renovation/Construction was able to complete in FY'92 such projects as the complete renovation of a closed Registry of Motor Vehicles building in Marlboro into a new one stop registration center for trucks. This twenty (20) year old building was given a new look and included the refinishing of the existing office furniture.

The talents of our electrical instructors in Renovation/Construction were utilized to install the new card entrance security and monitoring system at the DOC Central Offices in Boston. When the existing heating system at DOC Central transportation garage was found to be beyond repair our plumbing instructors designed and installed a new efficient hot water heating system.

A good portion of the revenue of Renovation/Construction is generated by our moving crews. This group with their full calendar of scheduled moves have seen many repeat customers over the years. In this past year, they have aided the Department of Public Health extensively in the salvage of surplus equipment from many hospital closings.

Middlesex Community College remains one of our steady customers with the campus consolidation and the opening of a new campus in New Bedford. Renovation/Construction was also responsible for the delivery and setup of much of the new furnishings and equipment for the county prison expansion programs at Hampden, Norfolk and Suffolk County.

In light of the present fiscal situation of state government, Renovation/Construction has not only served as an inmate training and employment program but has allowed state agencies as well as cities and towns to undertake necessary improvements simply and quickly by virtue of our operation being an approved supplier of services and accessible by MMARS IV transfers.

Business Report

Food and Farm Services

Introduction

Food and Farm Services coordinates institutional food service and farming enterprises at facilities throughout the Department of Correction. The majority of Farm Services' revenues are generated through the sale of milk and meat products to institutional end users in the Commonwealth. Farm services represent a completely vertically integrated agribusiness, with its activities ranging from dairy and forage production, dairy processing (including pasteurization and packaging), and meat processing to a complete delivery infrastructure that services each of the Commonwealth's state institutions. The mission of the farm program is to produce quality food products, at a significant savings to the institutional end user, while employing inmates in a meaningful vocational setting.

Profitability

The most recent fiscal year (FY'92) proved to be one of the most challenging for Farm Services, as it met its mandate of complete self-sufficiency and greeted with enthusiasm its incorporation into the Industries program. After an unprecedented growth period of an increase in revenues of 1750% since its inception in FY'83, sales were at the same level as the previous year; however, Farm Services finished the fiscal year at a break-even level, \$4,011,239.54. Despite this maintenance level of generated revenues, Farm Services was able to meet its debt obligation on the lease/purchase of milk packaging machinery a full two years ahead of schedule. In addition, the program will be carrying \$785,590.42 of accounts receivables into fiscal year 1993.

Inmate Employment

Farm Services employed on the average of 85-100 inmates throughout the fiscal year, representing similar levels of employment from the previous year, despite a reduction in staff at its various enterprises.

Production

Production levels for the meat plant were at 1.7 million pounds of beef and pork products; and 3.7 million pounds of milk at the dairies at SECC and NCC farms. Milk was processed and sold in both half-pints (85% of production) and bulk.

Host Institutions

In addition to its operational mandate of self-sufficiency, Farm Services was able to provide a myriad of services to both the Department of Correction and its host institutions at no cost, resulting in savings to the benefiting party. These activities included; transportation of surplus property from New Braintree, Deer Island House of Correction, divisions within the DOC, Cushing Hospital and Rutland Hospital; coordination with MCI-Shirley on its farm operation; coordination with the avocational horticultural program at the Bridgewater complex; and an on-going varied palette of services to our host institutions, including trucking, landscaping, etc. Farm Services also works with its host communities in providing available land for community gardens, and donating surplus food stuffs to charitable organizations. Finally, Farm Services funds seed money for use in inmate gardens, as an avocational activity.

General

Over the past few years Correctional Industries has been successful in increasing its market base and annual revenues. We have achieved this growth through additional orders, increased production rates and by the dedicated work effort of each employee. These achievements are significant when we consider that they were accomplished during a dismal economic period coupled with increased competition from the private sector.

In order to strengthen our existing customer base as well as to support future growth capabilities, the director requested that a review of "State of the Art" Quality Management Programs currently in use by other Correctional Industries be conducted. The National Institute of Corrections approved our request for a technical assistance grant. Therefore, in February, Tom Nugent and Ray Quirk visited selected institutions of Prison Rehabilitation Industries and Diversified Enterprises, Inc. (PRIDE) of Florida to observe techniques and methods utilized in their "Total Quality Management System" to assist in our review and ultimate implementation of a similar program.

Observations and Findings

The training work plan provided for visits to a good cross-section of PRIDE's Industries that manufacture products currently being produced in our industry locations. This enabled us to more accurately evaluate the Quality Control program and obtain specific answers to questions we had previously developed with the director. We found that PRIDE's "Total Quality Assurance System" emphasizes management/worker motivation to do it right the first time. The system in use throughout PRIDE is integrated into all departments, all functions and involves all employees in accomplishing, "quality". Each phase of the manufacturing cycle has established specific requirements, formal inspections, accurate records and corrective action to prevent defects and assure customer satisfaction.

In reviewing all of the information obtained during this training visit we recommended that a similar "Total Quality Assurance System" be implemented in MASSCOR to increase our customer satisfaction and thereby insure our future growth just as PRIDE has experienced.

Implementation

In April, after reviewing all the aspects involved in developing a quality control program and considering the long term benefits realized it was decided to implement a total, "Quality Assurance System" within MASSCOR.

Establishing control of quality in MASSCOR will require an improved system of process planning as well as more formalized shop operation and reporting. The Quality Assurance plan addresses these needs with pilot programs for short term systems development as well as long term goals for final implementation. The short term plan is a pilot program at MCI-Norfolk concentrating on receiving/shipping functions; metal, furniture, and clothing shop operations. This will provide us with a good cross section of production related quality situations. The overall plan is to get these shops into the pilot program by July 1, 1992 and the remaining shops at MCI-Norfolk into the program by the end of October, 1992.

The long term plan is to take what we learn at MCI-Norfolk, refine it and implement the system at all locations. The plan also includes computerization where applicable, feasible and cost effective. Total implementation of the Quality Control System will take approximately twelve (12) to eighteen (18) months from the completion of the pilot program.

As stated previously, a successful Quality Assurance System is effective when all staff at every level is an active participant. It is anticipated that this will occur throughout MASSCOR and the results from that participation will provide positive results

Business Report

Administration/Finance

Section I

Computerization

During FY'92, Correctional Industries was able to consolidate centrally all billing functions fulfilling the objective for FY'92.

Correctional Industries has been allowed to submit summary data (vs. detailed information) into the new BARS System. This was a result of the State Comptrollers on-site visit to evaluate our accounts receivable system; they determined that we have an excellent system in operation.

Merger of Food and Farm Services

All administration and financial functions of Industries and Farm Services were successfully merged into one system. This was completed through the efforts of many employees and problems associated with the merger were minimal.

Profit (Loss) Projections Vs. Actual

The following table reflects the actual profit or loss statements versus the original projection in the FY'92 Business Plan.

<u>Site/Shop</u>	<u>Proj.</u>	<u>Actual</u>	<u>\$ Difference</u>
MCI-Norfolk			
Clothing	(\$18,683)	(\$7,266)	+\$25,949
Furniture	(\$8,858)	(\$59,232)	-\$50,374
Janitorial	\$42,265	\$69,091	+\$26,826
UPH/Part	(\$8,816)	\$12,463	+\$21,279
Metal	\$102,657	\$313,192	+\$210,535
Mattress	(\$5,325)	\$79,450	+\$84,775
MCI-Cedar Junction			
Validation	\$14,963	\$53,139	+\$38,176
Sewing	\$14,484	(\$5,753)	-\$20,237
Brush	\$11,458	\$11,832	+\$374
Assembly	\$25,189	\$176,768	+\$151,579
Auto Plate	(\$28,874)	(\$59,987)	-\$31,113
MCI-Framingham			
Flag	(\$37,800)	(\$42,552)	-\$4,752
MCI-Concord			
Furniture	\$22,900	(\$149,023)	-\$171,923
MCI-Gardner			
Optical/Wood	(\$71,110)	(\$57,367)	+\$13,743
MCI-SECC			
Binder	(\$4,808)	(\$56,487)	-\$51,679
Silkscreen	(\$35,914)	(\$159,434)	-\$123,520
Sign	(\$24,078)	(\$35,545)	-\$11,467
Old Colony CC	(\$13,400)	\$2,332	+15,732
Reno/Construction	(\$154,000)	(\$39,810)	+\$120,544
Shirley - Meat Plant	\$297,472	\$228,664	-\$68,808
NCCI/Dairy **	(\$168,220)	(\$263,165)	-\$94,945
SECC/Dairy **	(\$141)	(\$285,249)	-\$285,108
Net Total	(\$19,765)	(\$204,420)	

** Note: Farm Services prepaid lease payments of \$252,870 in FY'92

Cash Flow Management

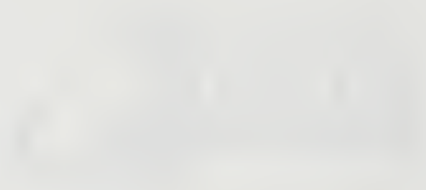
During FY'92 the cash flow management system became more important than in previous years. We were able to successfully manage our cash flow in a manner that allowed Industries to meet all salary and material needs while reducing the amount of end of fiscal year reversions.



MASSCOR
Massachusetts
Correctional Industries

Business Plan

- Section II -
Fiscal Year 1993 Master Plan & Objectives
by Department



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Master Plan

Executive Summary

The increase of the expenditure cap for FY'93 from \$13.114 Million to \$15.0 Million will offer some needed room for the growth of the program. It is anticipated that this increased cap will be absorbed through the generation of additional revenues in the expansion of metal and the new drapery operations. It is also expected that a modest increase in farm sales will be possible.

The outside language of the FY'93 budget includes this year for the first time language which clearly sets out the ability of Correctional Industries to provide and receive payment for services.

Following are the major plans for the growth of the program this year.

Planning and implementation are in progress for the removal and consolidation of the wood and fibersin operations from MCI Norfolk, MCI Concord and NCCI (Gardner) to the new medium Industry operation at MCI Shirley. It is planned to have some manufacturing in operation by January 1993 and to complete the entire move within the fiscal year. It is hoped that a small refinishing operation with two civilian staff and up to twenty inmates can be retained at MCI Concord. This decision is pending.

The space vacated by woodworking at MCI Norfolk together with other moves will create space for the installation of additional metalworking capacity and the new drapery operations which have been acquired and for which equipment will be received during the first quarter.

The expanded auto body operation in the new metal space building constructed and attached to the auto repair operation outside MCI Concord will be phased in during FY93.

A Cottage Industry program under the supervision of Correctional Industries will be phased in and implemented during FY93. A separate business plan has been developed for this operation which will be funded from the Program account under the control of the Assoc. Comm. of Programs and Treatment. This is a fiscally separate account from Industries revenue account. The program will be overseen by a coordinator who will report to the Director of Industries. Industries will provide the necessary support for this operation which will produce articles using inmate labor in several participating institutions for sale to the public in DOC gift shops. One gift shop location is ready in Bridgewater while another is planned for the Concord area.

Plans to invest in embroidery manufacturing equipment will proceed dependent upon availability of approximately \$60,000 needed to acquire the equipment. A firm site has not been decided for this operation, however, MCI Framingham is a candidate location.

In previous year's business plans, certain legislative matters have been highlighted as important issues for future resolution which will benefit the program long term. These are and remain unresolved at this time.

- Removal or significant expansion of the expenditure cap under which the program operates.
- Allowing funds generated by Industries operations to flow from one fiscal year to the next by means of a revolving account.
- Passage of legislation which will allow Massachusetts to participate in the Prison Industries Enhancement Certification Program under Title 18 of the Federal Code.
- Amendment of Chapter 149 of the Massachusetts General Laws to allow Industries to participate in available construction projects within the Commonwealth.

Master Plan

Executive Summary

- A better funding mechanism for providing revenues for the manufacturing of license plates for the Registry of Motor Vehicles.

There are a few other projects which are carryovers from previous years. One such is the continuing desire to establish a culinary arts program in cooperation with DOC Education division as a TIE project at Industries Central Office location.

There will be ongoing modifications to the Industries computer with the addition of new software which is relationally databased and which will provide better reports to management and control the size of our files which have become too large.

These plans will be enlarged upon by the various departments in the presentation of their portions of the business plan following.

Master Plan

Marketing and Sales

Overview

We are anticipating a growth in our baseline products up and down our diverse product line. Concentration on improving product awareness with our current and potential customers is the key to added sales. Recovery in the Massachusetts economy will certainly have a more positive impact on our continued growth. The coming year offers many opportunities for us to reach new levels of inmate employment, sales growth, product line expansion and good will. We are prepared to take on those opportunities and to seek out others.

Sales Volume

Fiscal Year '92 allowed us to increase our new order input over the previous fiscal year. In FY '92 we entered orders totaling \$8,820,659.05 which is 8.32% above the FY '91 total of \$8,142,882.62.

Our FY'93 forecast for orders and shipments is at the \$9,000,000 mark, this will allow for sales expansion in most areas and afford us the opportunity to push the spending cap to the limit.

Product Marketing

Dramatic improvements are underway in communicating information to our customers. The following areas are being undertaken and many more are being examined. A "User Friendly" catalog/price list is in the planning stage and will certainly make our products more easily accessible. The utilization of direct mailings and telemarketing as a means to achieve sales growth will be implemented on a select product group.

We are planning for expanded customer involvement in product line decisions which will insure customer satisfaction. A more efficient use of sales territory coverage to guarantee customers have access to sales staff is being organized. The implementation of a Customer Inquiry Tracking system will allow us to be more responsive to the day to day requirements of customers.

The implementation of a Quick Ship program and expanded availability of products shipped from an "in stock" position will greatly enhance our responsiveness to customers. This will allow us to meet the immediate needs of the many emergency situations that arise in the government and private sectors.

A greater effort will be made in seeking out and establishing private sector business. A variety of products will be targeted and marketed in this area.

New Products

MassCor has a variety of new items and will continue to re-evaluate existing products to keep the product line fresh and viable. Plans are underway to redesign furniture and other items to keep up with customer demand for new and improved products. We have added the new Computech Furniture line to our product base and it has already drawn much interest.

We are phasing out the existing Executive Line of office chairs and are welcoming in a more ergonomically designed successor.

Additions to the modular furniture representation will include two new office plans; complete with a lateral file, bookcase, work/computer table, and credenza.

Master Plan

Marketing and Sales

The Drapery business which will be a completely new endeavor for us will certainly be well received. The continuation of many custom designed products will potentially open new markets in areas previously undiscovered.

Staffing

We will continue to enhance staff performance through sales and general training courses and seminars. Every effort is being made to insure our Marketing and Sales force obtain state of the art training. A complete review of existing staff is underway to insure our resources are being optimally utilized. The addition of a contract sales agent will allow us the opportunity to expand into untapped markets in the printing/graphic arts area.

Master Plan

Marketing and Sales

BRUSHES

FY '92 Actual - \$68K
FY '93 Projected - \$72K

A direct mailing program will expand this product sales in the coming year.

SIGNAGE

FY '92 Actual - \$50K
FY '93 Projected - \$69K

This product line is being targeted through mailings and telemarketing.

FLAGS

FY '92 Actual - \$142K
FY '93 Projected - \$160K

Greater sales will be evident through a quick ship program.

ASSEMBLY

FY '92 Actual - \$1.900M
FY '93 Projected - \$1.555M

Although prison expansion has been completed, we believe this product line will have healthy sales.

UPHOLSTERY/PARTITION

FY '92 Actual - \$218K
FY '93 Projected - \$309K

A new Executive Chair line along with a growth in the Panel Systems and Upholstery markets will lead the way.

CUSTOM WOODWORKING

FY '92 Actual - \$52K
FY '93 Projected - \$53K

Increased efforts to expand customer awareness in this product is underway.

Master Plan

Marketing and Sales

CLOTHING

FY '92 Actual - \$1.055 M
FY '93 Projected - \$1.225M

We anticipate growth in this area and the review of current products to upgrade function is continuing.

BINDERS

FY '92 Actual - \$147K
FY '93 Projected - \$267K

An effective effort has been undertaken to regain lost business.

CLEANING SUPPLIES

FY '92 Actual - \$310K
FY '93 Projected - \$327K

A program of healthy stock levels and a "Quick Ship" program will improve performance in this area.

VALIDATION/LABELS

FY '92 Actual - \$429K
FY '93 Projected - \$445K

We anticipate continued growth in this line.

OPTICAL

FY '92 Actual - \$372K
FY '93 Projected - \$331K

Efforts to enlarge the customer base will make this a noteworthy year.

SILK SCREENING

FY '92 Actual - \$49K
FY '93 Projected - \$60K

Emphasis is being placed on increasing business through direct mailings.

Master Plan

Marketing and Sales

WOOD FURNITURE

FY '92 Actual - \$667K
FY '93 Projected - \$788K

A re-design of products and increased inventory levels will amplify sales in this line.

MATTRESSES

FY '92 Actual - \$511K
FY '93 Projected - \$520K

Continued efforts to obtain contracts and expand sales are underway.

MODULAR FURNITURE

FY '92 Actual - \$342K
FY '93 Projected - \$360K

A re-design of product lines will lead the way to expansion in the future.

PRINTING

FY '92 Actual - \$639K
FY '93 Projected - \$690K

We are planning for continued growth in this area by adding a contract sales position fully devoted to gaining new business.

METAL

FY '92 Actual - \$926K
FY '93 Projected - \$600K

One of the premier sales volume shops in the past due to prison expansion we feel it will show growth in its baseline products. Emphasis will be placed on augmenting sales levels through new markets.

RENOVATION/CONSTRUCTION

FY '92 Actual - \$821K
FY '93 Projected - \$902K

Forecasts show a trend toward continued expansion in the coming year.

General

Goals for Fiscal Year '93 include a variety of programs designed to increase the number of inmates employed, maintain self sufficiency and improve plant operations. These are coupled with other programs to ensure safe and secure operation in a corrections setting.

These programs are detailed as follows:

1. Self-Sufficiency

We did achieve self-sufficiency overall in FY '92, however, some shops had substantial losses. Our goal is to achieve improvement in these shops to at least a break-even point. These shops will be reviewed for major overhaul or merging with other shops to improve self-sufficiency. Combining will be balanced against the need to employ inmates to insure that employment levels are maintained.

2. Quality Improvement

We have developed a plan for a comprehensive quality control program that includes the following;

- a) Development of new products and standardization of present products for an improved product catalog and more standard options.
- b) Improved documentation defining our products and the details of manufacture in order to support more responsive labor and material reporting systems giving better accountability/traceability of quality problems.
- c) Motivational and technical instruction programs for both staff and inmates with emphasis on "do it right the first time" allowing more inmate involvement in inspection and quality development.

3. Accreditation/Security/Safety

One of our major concerns is to assure that all present and future equipment complies with all Federal and State Safety and Environmental Regulations.

We will continue our focus on environmental and security issues and refine the standards for all shops so that Industries can become accredited as an organization.

New procedures along with additional training staff have been developed for hazardous material control and right to know training. These will be implemented in FY '93.

We have an ongoing program to work with each of the institutions to develop safe, cost effective security procedures for trucking and tool control that are in accordance with DOC and ACA guidelines.

4. Improved Customer Response

A "Quick Ship" program based on improved stocking levels in strategic areas is in the planning stage and will be implemented in the second half of FY '93'

5. Consolidation of Furniture Operations

A plan to combine the custom wood operation from MCI Concord with the fiber resin operation from MCI Norfolk into one modern, efficient plant at MCI Shirley is underway. This will use the latest production techniques in a streamlined production flow to improve our competitive position in the market place.

At the same time we will be upgrading the metal working operations and adding drapery manufacturing to MCI-Norfolk.

Master Plan

Revovation/Construction

General

In order to maintain self-sufficiency for this division within Correctional Industries in FY'93, it will be important that Renovation/Construction plan well ahead for any contemplated business operations and to carefully scrutinize all facets of spending and implementation of as many capital savings projects as possible.

Production and Efficiency Meetings

The manager of Renovation/Construction and his staff will conduct weekly meetings to monitor progress of on-going projects and to collectively assess budget estimates for each project. Staff personnel prior to the start of a project will review with the manager of Renovation/Construction the scope of the job, cost estimates and a realistic schedule for the completion of said job.

Curtailment of Internal Projects

FY'92 showed a sharp decrease of internal projects. In FY '93, Renovation/Construction will once again work to curtail these projects in order to focus on projects that give an immediate revenue return. Internal projects for the benefit of the DOC will be taken and completed as close to cost as possible to give necessary training for inmates in the building trades, but adequate to support our operations. It is imperative to the successful operation of Renovation/Construction in maintaining its' self-sufficiency that no product or service be done, if possible, without a contribution to revenue. The division will carefully select projects for inmate training that will provide prudent use of materials and the most efficient use of manpower hours available.

Work Expansion

Renovation/Construction plans to institute an aggressive awareness dissemination program to let other governmental agencies know the type and quality of work that the division has to offer. We plan to work more closely with cities and towns to show them the cost savings to them which can accrue by using the services of Renovation/Construction.

The recent development of the four day work week within Renovation/Construction will give greater latitude for the taking on of expanded projects that in previous years could not have been accepted because of the limitation of a shorter work day for staff and inmates.

The anticipated opening of the new autobody shop at MCI-Concord will give Renovation/Construction an expanded challenge to make this unit cost effective within the division and make this unit a viable source of revenue; and expansion of the inmate work force. Indications are that large volumes of work for this shop are available.

Management Change

FY'92 brought to the department, E. Thomas Flynn replacing Fred Oxford who retired after 30 years of service. Mr. Flynn's extensive background in construction management has brought to Renovation/Construction quality management, skills and construction know how to maintain and expand on the efficiency and cost effective policies of the past; and to benefit the department by being able to provide quick construction capability in emergency situations.

Master Plan

Food and Farm Services

General

Farm Services is projecting sales of \$3,882,994 million for FY'93 with a net loss of \$64,254 at the end of the fiscal year. FY'93 activity will focus on the current and potential product mix, expansion of markets, and pending executive office approval and budget availability, the introduction of new ventures. In addition, Farm Services is planning to address capital expenditures, including the purchase of a new refrigerated truck, repair of barn roofs, and a sawdust storage building; as well as an expanded staffing pattern. Since its recent transitional period has come to a close, Farm Services feels it is well positioned to aggressively face FY' 93 in an expansion mode. A summary of existing and proposed enterprises follows.

Meat Processing Plant

The meat plant currently is designated as the sole source provider to all Commonwealth state institutions for the beef and pork products that it processes; and therefore has operated at a market saturation level with those products that it produces. However, FY '93 activity will focus on increasing the product mix and expanding its other public sector markets. The meat plant will be exploring an expansion of its current product line to include hamburger with texture vegetable protein additives and veal products and potentially poultry products. The meat plant staff will work closely with the institutional food service staff for test marketing on flavor, product mix, packaging and portion sizes. In addition, an expansion of markets will be pursued with both the county system and the other New England states. Since all products are USDA inspected, interstate shipments do not impose any additional inspection standards on the operation. Finally, a staff position to handle the expected increase in deliveries will be added.

Dairy Operations

A recent change in the Department of Correction's menu has reduced the individual institutional requirements for fluid milk, but increased the total number of institutions in the market. Farm Services will pursue additional markets for its current level of production; as well as explore an expansion in its product mix. Several institutions are abandoning the use of half-pints, in favor of bulk usage; and this has resulted in additional production capability of the half-pint packaging machinery. The dairy plants will be pursuing the manufacture of additional products, including chocolate milk and lemonade. One avenue of marketing that will be explored is the use of vending machines in the institutions for the sale of these new products.

Revitalization of Farm Enterprises

Based on a positive cash flow assumption, Farm Services will pursue the revitalization of enterprises in which it was once involved, including the cannery and horticulture. The reopening of the cannery at MCI-Concord will involve the production of frozen vegetables, and the addition of one staff person. Products were purchased on the wholesale level, and processed frozen for use in the institutional food service operation. Secondly, Farm Services will explore the reintroduction of its horticultural operation at the Bridgewater complex. Similarly, this will involve the addition of a staff person. Markets include retail sales at the Bridgewater gift shop and plant sales in state buildings in Boston, as well as wholesale outlets.

New Ventures

Second market. Farm Services will pursue approval for its proposal to purchase products on the spot market, for use in the institutional kitchens. "Second market" refers to products that are normally available at a significantly reduced value, due to mislabeling, manufacturing overruns, etc. Farm Services could purchase these items, receive at a central location and distribute at a significant savings to the end user.

Master Plan

Food and Farm Services

Central Warehouse. Similarly, Farm Services has the capability to oversee the food purchases for the entire Department of Correction at one central site. Savings would be realized by the institutions, since the volume of product, as well as the ability of the vendor to make one central delivery, would reflect in the prices paid. Farm Services would then handle the distribution network for the Department of Correction.

Master Plan

Quality Control

General

Goals for FY'93 include:

To continue the quality control pilot program at Norfolk for short term system development.

Establish a Quality Control Policy and Procedure in MassCor.

Implement Quality Control at all locations.

These goals are detailed as follows:

Pilot Program

The short term plan is a pilot program at MCI-Norfolk concentrating initially on receiving/shipping functions and the metal, furniture and clothing shop operations. This will provide us with a good cross-section of production related quality situations to assist us in developing an effective quality control system.

In order to establish this, we have addressed the need to establish formats and criteria for the following items:

- Accurate purchasing specifications
- Incoming inspection criteria
- Standard product bill of materials and drawings
- Provide shop job packets with move tickets
- Establish in-process inspection points and criteria
- Establish specific inspection methods tests
- Develop final inspection procedures
- Establish a system that insures traceability
- Initiate cost of quality reporting system
- Develop correction action procedures
- Establish employee training programs

This phase of the implementation process was initiated on July 1, 1992. The remainder of the shops at Norfolk will be included in the quality control system by January 1, 1993.

Quality Control Policy

It is essential that Correctional Industries formally establishes a "Total Quality Control Policy" which clearly states our quality objectives and delineates procedurally how those objectives will be accomplished. This policy will address all activities pertinent to the quality of a product or service. All phases of planning from initial market identification to final satisfaction of customer requirements, expectations and activities will be part of the policy. The "Total Quality Control Policy" will be ready for implementation by January 1, 1993.

Systemwide Implementation

Industry supervisors will be responsible for assuring that the Quality Control Policy is implemented at their site. Technical assistance in areas such as production planning, material specifications, product drawings, critical control points, inspection methods, statistical records and in-service training will be provided to facilitate implementation. In addition, meetings will be conducted on a regular basis to measure progress and discuss problematic areas that need attention.

Master Plan

Cottage Industries Program

Overview

During FY'93, Industries will be involved in a new program called, "Cottage Industries". The program will be started in four institutions; NCCI (Gardner), MCI-Concord, SECC (Southeastern) and MCI-Shirley. This program will employ approximately 100 inmates in the manufacture of products for resale at retail to the general public. Sales outlet locations have been identified at Bridgewater and Concord.

Correctional Industries will support the program with administrative, accounting and various support functions. All necessary purchasing will be accomplished with existing Industries staff. All materials and labor will be purchased from a corpus of funds allocated from the canteen fund profits and from the sale of the products produced.

The program will be overseen by a coordinator. The coordinator will determine the product line, schedule production, prepare bills of materials, cost and establish prices and implement control systems at the point of manufacturing and sales to the public. The coordinator will determine what capital equipment will be necessary to operate the cottage industries program.

This cooperative effort between Correctional Industries and participating institutions will help reduce idleness and impart beneficial work skills to inmate participants which will enhance their ability to re-integrate into society.

Master Plan

Administration/Finance

Section II

Computerization

To enhance our computer system's capabilities by the installation and utilization of a relational data based program. Once this project is completed, our system will generate very detailed management information, and have the capacity to meet our computer needs for the foreseeable future.

Cash Flow Management

The cash flow management system instituted in the past four years will continue in FY'93. Administration/Finance will administer the monetary flow so that sufficient funds are available to meet payroll and operational needs as required to reach sales goals in FY'93.

Accounts Receivable

The collection of Industries accounts receivable will continue to be a top priority during FY'93. New and improved account receivable procedures will be utilized to maximize collections.

Exhibit P - 1, 2, 3 - Shows the FY'93 spending plans for consolidated Industries/Farm Services and each division.

Exhibit P - 4, 5, 6 - Shows FY'93 spending budgets by state appropriation and by each location within Industries and Farm Services.

Master Plan

Administration/Finance

Exhibit P-1

CONSOLIDATED SPENDING PLAN FY'93

SPENDING LIMIT FY'93	15,000,000
ESTIMATED FY' 93 RECEIPTS	14,350,000
ESTIMATED USEABLE FY' 93 RECEIPTS	14,100,000
EXPENSE BUDGET AMT YTD 07/01/92	-0-
BALANCE OF USEABLE FY'93 RECEIPTS	14,100,000

REVENUE RECAP FY'93

RECEIVED TO DATE 07/01/92	-0-
BALANCE TO REACH USEABLE RECEIPTS	14,100,000
Staff Payroll Industries	2,609,000
Staff Payroll Food and Farm Services	778,000
Food and Farm Services Budget	3,022,350
Food and Farm Vehicles	120,000
Industries Institutional Budget	3,101,000
Capital Equipment FY'93	150,000
9,000/dozen Towels, 3,000/Dozen Sheets	312,000
Inmate Wages- Industries	608,000
Inmate Wages - Food and Farm Services	74,000
Student Interns	14,400
Auto Body Manager Salary	38,500
Industries Administration Expenses	144,000
Rubbish Removal Contracts	22,700
Hazardous Waste Removal Contract	20,000
Cost of Shop Relocations	300,000
Misc. Projects	150,000
Furniture Assembly Materials	<u>1,220,000</u>

TOTAL OF PLANNED SPENDING	12,683,950
UNSPECIFIED CASH RESERVE	1,416,050

BREAKDOWN OF ESTIMATED FY'93 USEABLE REVENUE RECEIPTS

Industries Receipts	10,000,000
Food and Farm Services	<u>4,100,000</u>
Total Estimated Useable Receipts	14,100,000

Master Plan

Exhibit P-2

INDUSTRIES DIVISIONS SPENDING PLAN FY' 93

SPENDING LIMIT	10,500,000
ESTIMATED FY' 93 RECEIPTS	10,150,000
ESTIMATED USEABLE FY '93 RECEIPTS	10,000,000
EXPENSE BUDGET AMT YTD	-0-
BALANCE OF USEABLE FY'93 RECEIPTS	10,000,000
 <u>REVENUE RECAP FY '93</u>	
Received To Date	-0-
Balance to Reach Useable Receipts	10,000,000

PLANNED EXPENDITURES FY'93

Staff Payroll Industries	2,609,000
Industries Institutional Budgets	3,101,000
Capital Equipment FY' 93	150,000
9,000/Dozen Towels, 3,000/Dozen Sheets	312,000
Inmate Wages - Industries	608,000
Student Interns	14,400
Auto Body Manager Salary	38,500
Industries Administration Expenses	144,000
Rubbish Removal Contracts	22,700
Hazardous Waste Removal Contract	20,000
Cost of Shop Relocations	300,000
Misc. Projects	150,000
Furniture Assembly Materials	<u>1,220,000</u>
 TOTAL OF PLANNED SPENDING	 8,689,600
 UNSPECIFIED CASH RESERVE	 1,318,939

Master Plan

Exhibit P-3

FOOD AND FARM SERVICE CASH FLOW PLAN FY'93

SPENDING LIMIT FY' 93	4,500,000
ESTIMATED FY' 93 RECEIPTS	4,200,000
ESTIMATED USEABLE FY' 93 RECEIPTS	4,100,000
EXPENSE BUDGET AMT YTD 07/01/92	-0-
BALANCE OF USEABLE FY'93 RECEIPTS	4,100,000
<u>REVENUE CAP FY'93</u>	
Received to Date	-0-
Balance to Reach Usable Receipts	4,100,000

PLANNED EXPENDITURES FY' 93

Staff Payroll Food and Farm	778,000
Meat Plant (Shirley)	2,389,900
Northeast Correctional Center Farm	301,450
Southeast Correctional Center Farm	361,500
New Vehicles	120,000
Administration Expenses	<u>43,500</u>
 TOTAL OF PLANNED SPENDING	 3,994,350
 UNSPECIFIED CASH RESERVE	 105,650

Master Plan

Exhibit P-4

FOOD AND FARM SERVICES SPENDING BUDGET BY ENTERPRISE

<u>INSTITUTION</u>	<u>ENTERPRISE</u>	<u>AMOUNT</u>	
<u>MCI-Shirley</u>	<u>Meat Plant</u>		
	Inmate Wages	22,000	
	Raw Meat Product	2,292,000	
	Packaging - Boxes/Bags	25,000	
	Lease-Freezer	8,400	
	Administration	500	
	Repairs/Replacements	12,000	
	Spices	23,000	
	Linens/Knives	5,500	
	Housekeeping	<u>1,500</u>	
	Total		2,389,900
<u>NECC</u>	<u>Dairy</u>		
	Inmate Wages	24,000	
	Animal Feed	77,000	
	Vehicles Expenses	10,000	
	Dairy (Breeding Supplies)	33,000	
	Fertilizer/Seed	25,000	
	Skim Milk	13,900	
	Packaging Materials	55,000	
	Machine Leases	2,050	
	Repairs	40,000	
	Consultants	10,000	
	Roof/Sawdust Shed	7,500	
	Misc/Administration	<u>4,000</u>	
	Total		301,450
<u>SECC</u>	<u>Dairy</u>		
	Inmate Wages	28,000	
	Animal Feed	90,000	
	Vehicles Expenses	10,000	
	Dairy (Breeding Supplies)	42,500	
	Fertilizer/Seed	21,500	
	Lime	6,000	
	Packaging/Materials	65,000	
	Skim Milk	17,500	
	Repairs	40,000	
	Consultants	20,000	
	Building Repairs	15,000	
	Misc/Administration	<u>6,000</u>	
	Total		361,500
<u>Administration</u>	Delivery Truck Fuel	20,000	
	Delivery Truck Repairs	15,000	
	Office Expenses	5,000	
	Tuition/Memberships	500	
	Travel	<u>3,000</u>	
	TOTAL		<u>43,500</u>
TOTAL OF ALL ENTERPRISE BUDGETS			<u>3,096,350</u>

Master Plan

Exhibit P-5

FY'92 SPENDING BUDGETS BY SHOP (Industries)

<u>INSTITUTION</u>	<u>SHOP</u>	<u>AMOUNT</u>	<u>FY'92 REVENUE ESTIMATE</u>
<u>Old Colony</u>	Print Shop	<u>340,000</u>	<u>726,000</u>
<u>MCI-Norfolk</u>	Furniture Shop	184,000	
	Metal Shop	262,000	
	Clothing Shop	320,000	
	Mattress Shop	225,000	
	Janitorial Shop	130,000	
	Uph/Part. Shop	139,000	
	Norfolk Total	<u>1,260,000</u>	<u>3,012,000</u>
<u>SECC</u>	Binder Shop	126,000	
	Silkscreen Shop	33,000	
	Sign Shop	31,000	
	SECC Total	<u>190,000</u>	<u>400,000</u>
<u>MCI-Concord Shirley</u>	Furniture Shop	<u>400,000</u>	<u>889,000</u>
<u>MCI-Fram.</u>	All Operations	<u>85,000</u>	<u>165,000</u>
<u>NCCI-Gardner</u>	Optical Shop	171,000	
	Custom Wood	15,000	
	NCCI Total	<u>186,000</u>	<u>331,000</u>
<u>Reno/Const.</u>	Reno/Const.	240,000	
	Auto Shops	30,000	
	Reno/Const. Total	<u>380,000</u>	<u>902,000</u>
<u>MCI-Cedar Junction</u>	Brush Shop	10,000	
	Validation Shop	240,000	
	Sewing Shop	322,000	
	Furniture Assm	1,220,000	
	MCI-Cedar Junction Total	<u>1,792,000</u>	<u>2,575,000</u>
TOTAL OF ALL INDUSTRIES SHOP BUDGETS		4,633,000	9,000,000

Master Plan

Exhibit P-6

BUDGET PLAN FY'93

STATE APPROPRIATION

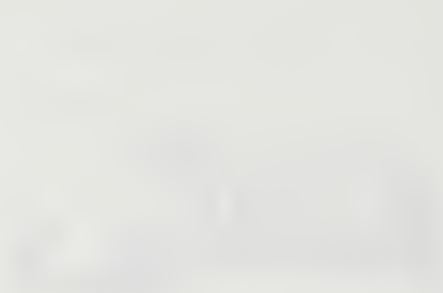
AA Salary Account	\$485,000
FF Plate Shop Materials/Supplies	382,048
JJ Inmate Wages (Plate Shop)	65,000
LL Plate Shop Service Work	<u>10,000</u>
TOTAL STATE APPROPRIATION	942,048



MASSCOR
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Correctional Industries

Business Plan

- Section III -
Financial Reports



Financial Statements

Notes and Reference

General

The financial statements appear in the final pages of this report. For FY'93 and beyond, Correctional Industries has developed a systematic plan to provide pro-formal financial statements, capital expenditure budgets and cash flow analysis in a timely manner for management.

Effect of Reduced License Plate Sales

The failure to sufficiently fund the auto plate account has resulted in a reduced sales total for this product line. This reduction in sales has had a negative effect on Correctional Industries individual shop profit and loss statements.

This is caused by the fact that the Auto Plate shop is not absorbing the percentage of S.G.&A overhead as anticipated when projections for FY'92 were developed. The plate shop is operating at a production level which is only a fraction of its capacity.

In our FY'93 projections, sales from the auto plate shop continue to anticipate product levels much below shop capacity. In our projections for FY'94 and FY'95, anticipated sales of auto plates have increased to reflect the results of increased state appropriation.

Exhibit A

Consolidated Statement of Operations for Fiscal Years 1992, 1991, and 1990 - Demonstrates the profit and loss of each facility and the program as a whole.

Exhibit B-1

Shows the actual sales and profit (loss) for each shop for fiscal year 1992.

Exhibit B-2, 3 & 4

Shows the projected sales and profits (shortfall) for each shop for the fiscal years 1993, 1994 and 1995. These projections are based on the current economic conditions within the Commonwealth and its political sub-division as well as our in-house projections.

Exhibit C

A bar graph demonstrating the sales and receipt collections over the last ten (10) fiscal years.

Financial Statements

Notes and Reference

Summary of Significant Accounting Policies

Massachusetts Correctional Industries is a program within the Massachusetts Department of Correction. The establishment and maintenance of this program is sanctioned under the General Laws of Massachusetts, Chapter 127, Section 51. Massachusetts Correctional Industries has 22 shops operating in eight penal facilities located throughout Massachusetts.

Food and Farm Services operate three programs in three penal facilities located throughout the state.

Substantially most of the program's sales are made to state and local governmental agencies and non-profit entities.

The accompanying financial statements have been prepared on an accrual basis. Interfacilities transactions, including profits and losses, have not been eliminated in the consolidation.

Plant and Equipment

Plant and equipment are capitalized at cost or appraised value for donated property and include expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and other minor renewals are expensed as incurred. When properties are disposed of, the related cost and accumulated depreciation are removed from the respective accounts with any gain or loss included in the determination of income. The straight line method of depreciation is used for all depreciable assets. Rates of depreciation are generally based on useful life guidelines.

Inventories

Finished goods inventory is valued at the lower cost or market. Raw materials and supplies inventory are valued using the moving average cost method.

The policy and procedures which have been implemented in regard to inventory taking have provided a useful management tool. We are now able to identify surplus, obsolete materials and finished goods.

Financial Statement

Exhibit A - Consolidated Statement of Operations - FY '92, '91, '90

FY '92	WALPOLE AUTO PLT	WALPOLE OTHER	NORFOLK ALL	CONCORD ALL	FRMGHM ALL	BRDGWTR S.E.C.C.	GARDNER N.C.C.I.	BRDGWTR O.C.C.C.	RNVTN CNSTR	TOTAL SHIPS ONL	FARM SERVICES
LESS FIN FOODS	\$1,259,871	\$2,373,104	\$3,165,796	\$557,685	\$142,242	\$245,651	\$403,236	\$657,400	\$864,367	\$9,669,352	\$4,011,240
LSS CST FIN GDS	\$984,286	\$1,866,179	\$2,257,215	\$447,628	\$111,389	\$408,394	\$291,632	\$576,975	\$473,530	\$7,417,228	\$4,096,745
GROSS PROFIT	\$275,585	\$506,925	\$908,581	\$110,057	\$30,853	(\$162,743)	\$111,604	\$80,425	\$390,837	\$2,252,124	(\$85,505)
UNABSRBD OH	\$195,025	\$87,057	\$202,915	\$144,300	\$59,350	\$56,901	\$142,033	\$14,847	\$360,373	\$1,262,801	\$0
OPERATING PFT.	\$80,560	\$419,868	\$705,666	(\$34,243)	(\$28,497)	(\$219,644)	(\$30,429)	\$65,578	\$30,464	\$989,323	(\$85,505)
LESS S.G.&A.	\$140,547	\$183,882	\$283,436	\$114,780	\$14,055	\$39,822	\$26,938	\$63,246	\$70,274	\$936,980	\$234,245
NET PROFIT	(\$59,987)	\$235,986	\$422,230	(\$149,023)	(\$42,552)	(\$259,466)	(\$57,367)	\$2,332	(\$39,810)	**\$52,343	(\$319,750)

FY'91											
TTL REV	\$1,841,828	\$2,239,868	\$3,706,728	\$1,056,797	\$128,286	\$371,094	\$250,639	\$584,455	\$648,330	\$10,828,025	N/A
LESS FIN GDS	\$1,686,907	\$1,820,190	\$2,731,055	\$793,170	\$106,611	\$395,992	\$176,259	\$580,275	\$386,352	\$8,676,811	
GROSS PROFIT	\$154,921	\$419,678	\$975,673	\$263,627	\$21,675	(\$24,898)	\$74,380	\$4,180	\$261,978	\$2,151,214	
UNABSRBD O.H.	(\$85,814)	\$35,404	\$68,510	\$54,687	\$49,124	\$17,300	\$178,938	\$56,467	\$331,596	\$706,212	
OPERATING PFT.	\$240,735	\$384,274	\$907,163	\$208,940	(\$27,449)	(\$42,198)	(\$104,558)	(\$52,287)	(\$69,618)	\$1,445,002	
LESS S. G.&A.	\$213,078	\$134,576	\$315,029	\$88,698	\$10,195	\$51,995	\$31,605	\$83,600	\$90,736	\$1,019,512	
NET PROFIT	\$27,657	\$249,698	\$592,134	\$120,242	(\$37,664)	(\$94,193)	(\$136,163)	(\$135,887)	(\$160,354)	\$425,490	

FY'90											

ANALYSIS OF PROFITABILITY	FY '92	FY '91	FY '90
Profit/Loss with Auto Plate	\$52,343	\$425,490	\$232,522
Profit/Loss without Auto Plate	\$112,330	\$397,833	(\$268,311)

*OVERABSORBED O/H
 **INCLUDES BUYOUT OF
 LEASEDEQUIPMENT \$260,000

Financial Statement

Exhibit B-1

Fiscal Year 1992 Profit/Loss Actual

INSTITUTION/SHOP		ACT SLS	SG&A	CST TO SLS	PRFT(LOSS)
NORFOLK	CLOTHING	\$624,513	\$55,837	\$561,410	\$7,266
	FURNITURE	\$254,884	\$22,958	\$291,158	(\$59,232)
	JANITORIAL	\$322,098	\$28,627	\$224,380	\$69,091
	PART/UPHOL	\$271,759	\$24,376	\$234,920	\$12,463
	METAL	\$1,123,372	\$100,620	\$709,560	\$313,192
	MATTRESS	\$569,170	\$51,018	\$438,702	\$79,450
	TOTAL	\$3,165,796	\$283,436	\$2,460,130	\$422,230
WALPOLE	VALIDATION	\$405,276	\$31,260	\$320,877	\$53,139
	SEWING	\$400,834	\$31,076	\$375,511	(\$5,753)
	BRUSH	\$63,308	\$4,965	\$46,511	\$11,832
	ASMBLY	\$1,503,686	\$116,581	\$1,210,337	\$176,768
	AUTO PLATE	\$1,259,871	\$140,547	\$1,179,311	(\$59,987)
	TOTAL	\$3,632,975	\$324,429	\$3,132,547	\$175,999
FRMNGHM	FLAG	\$142,242	\$14,055	\$170,739	(\$42,522)
CONCORD	FURNITURE	\$557,685	\$114,780	\$591,928	(\$149,023)
GARDNER	OPTICAL	\$365,269	\$24,402	\$323,759	\$17,108
	WOOD	\$37,967	\$2,536	\$109,906	(\$74,475)
	TOTAL	\$403,236	\$26,938	\$433,665	(\$57,367)
O.C.C.C.	PRINT	\$657,400	\$63,246	\$591,822	\$2,332
S.E.C.C.	BINDERY	\$142,570	\$23,097	\$175,960	(\$56,487)
	SILKSCREEN	\$54,485	\$8,840	\$213,079	(\$167,434)
	SIGN	\$48,596	\$7,885	\$76,256	(\$35,545)
	TOTAL	\$245,651	\$39,822	\$465,295	(\$259,466)
RENOV/CONST		\$864,367	\$70,274	\$833,903	(\$39,810)
SUB TOTAL		\$9,669,352	\$936,980	\$8,680,029	\$52,343
NET LESS AUTO PLATE		\$1,259,871	\$140,547	\$1,179,311	(\$59,987)
NET IND TOTAL		\$8,409,481	\$796,433	\$7,500,718	\$112,330
SHIRLEY MEAT PLANT		\$2,925,996	\$170,999	\$2,526,333	\$228,664
NCC-DAIRY		\$374,561	\$21,785	\$615,941	(\$263,165)
SECC-DAIRY		\$710,683	\$41,461	\$954,471	(\$285,249)
NET FARM TOTALS *		\$4,011,240	\$234,245	\$4,096,745	(\$319,750)
NET IND/FARM TOTALS		\$12,420,721	\$1,030,667	\$11,597,463	(\$207,420)

*Farm Services Pre-paid lease payment of \$259,870 in FY' 92

Financial Statement

Exhibit B-2

Fiscal Year 1993 Projected Profit/Loss

INSTITUTION/SHOP		PRO/SLS	SG&A	CST TO SLS	PRFT(LOSS)
NORFOLK	CLOTHING	\$735,868	\$70,492	\$647,564	\$17,812
	FURNITURE	\$466,644	\$44,779	\$438,645	(\$16,780)
	JANITORIAL	\$337,020	\$32,357	\$235,914	\$68,749
	PART/UPHOL	\$311,096	\$29,757	\$267,542	\$13,797
	METAL	\$622,191	\$59,513	\$466,643	\$96,035
	MATTRESS	\$539,233	\$52,002	\$425,994	\$61,237
	TOTAL	\$3,012,052	\$288,900	\$2,482,302	\$240,850
WALPOLE	VALIDATION	\$451,089	\$43,671	\$360,871	\$46,547
	BRUSH	\$489,849	\$47,222	\$455,560	(\$12,933)
	ASMBLY	\$77,774	\$7,456	\$58,330	\$11,988
	SHEETS/TWLS	\$1,555,479	\$150,186	\$1,244,383	\$160,910
	AUTO PLATE	\$1,100,000	\$106,515	\$1,045,000	(\$51,515)
	TOTAL	\$3,674,191	\$355,050	\$3,164,144	\$154,997
FRMNGHM	FLAG	\$165,918	\$16,200	\$190,805	(\$41,087)
CONCORD & SHIRLEY	FURNITURE	\$808,697	\$83,700	\$687,392	\$37,605
GARDNER	OPTICAL	\$381,835	\$36,135	\$336,015	\$9,685
	WOOD	\$30,000	\$3,015	\$75,000	(\$48,015)
	TOTAL	\$411,835	\$39,150	\$411,015	(\$38,330)
O.C.C.C.	PRINT	\$725,890	\$70,200	\$638,783	\$16,907
S.E.C.C.	BINDERY	\$267,542	\$24,422	\$227,410	\$15,710
	SILKSCREEN	\$60,145	\$5,504	\$84,203	(\$29,562)
	SIGN	\$71,552	\$6,524	\$100,172	(\$35,144)
	TOTAL	\$399,239	\$36,450	\$411,785	(\$48,996)
RENOV/CONST		\$902,178	\$86,400	\$857,069	(\$41,291)
SUBTOTAL		\$10,100,000	\$976,050	\$8,843,295	\$280,655
NET LESS AUTO PLATE		\$1,100,000	\$106,515	\$1,045,000	(\$51,515)
NET IND TOTAL		\$9,000,000	\$869,535	\$7,798,295	\$332,170
SHIRLEY/MEAT PLANT		\$2,940,000	\$283,454	\$2,528,400	\$128,146
NCC/DAIRY		\$459,933	\$44,126	\$523,193	(\$107,386)
SECC/DAIRY		\$483,061	\$46,370	\$521,705	(\$85,014)
NET FARM TOTAL		\$3,882,994	\$373,950	\$3,573,298	(\$64,254)
NET IND/FARM TOTAL		\$12,882,994	\$1,243,485	\$11,371,593	\$267,916

Financial Statement

Exhibit B-3

Fiscal Year 1994 Projected Profit/Loss

INSTITUTION/SHOP		PRO/SLS	SG&A	CST TO SLS	PRFT(LOSS)
NORFOLK	CLOTHING	\$795,000	\$66,299	\$699,600	\$29,101
	FURNITURE	\$500,000	\$41,610	\$470,000	(\$11,610)
	JANITORIAL	\$360,000	\$29,959	\$252,000	\$78,041
	PART/UPHOL	\$340,000	\$28,295	\$292,400	\$19,305
	METAL	\$750,000	\$62,692	\$600,000	\$87,308
	MATTRESS	\$580,000	\$48,545	\$446,000	\$85,455
	TOTAL	\$3,325,000	\$277,400	\$2,760,000	\$287,600
WALPOLE	VALIDATION	\$485,000	\$40,405	\$388,000	\$56,595
	BRUSH	\$530,000	\$44,177	\$493,000	(\$7,177)
	ASMBLY	\$84,000	\$7,004	\$63,000	\$13,996
	SHEETS/TWLS	\$1,555,000	\$129,836	\$1,244,000	\$181,164
	AUTO PLATE	\$3,800,000	\$317,318	\$2,964,000	\$518,682
	TOTAL	\$6,454,000	\$538,740	\$5,152,000	\$763,260
FRMNGHM	FLAG	\$180,000	\$14,600	\$200,000	(\$34,600)
CONCORD & SHIRLEY	FURNITURE	\$872,000	\$73,000	\$741,000	\$58,000
GARDNER	OPTICAL	\$412,000	\$34,582	\$362,000	\$15,418
	WOOD	\$40,000	\$3,378	\$82,000	(\$45,378)
	TOTAL	\$452,000	\$37,960	\$444,000	(\$29,960)
O.C.C.C.	PRINT	\$784,000	\$65,700	\$690,000	\$28,300
S.E.C.C.	BINDERY	\$275,000	\$23,161	\$233,000	\$18,839
	SILKSCREEN	\$65,000	\$5,467	\$90,000	(\$30,467)
	SIGN	\$76,000	\$6,412	\$104,000	(\$34,412)
	TOTAL	\$416,000	\$35,040	\$427,000	(\$46,040)
RENOV/CONST		\$974,000	\$81,760	\$915,000	(\$22,760)
SUB-TOTAL		\$13,457,000	\$1,124,200	\$11,329,000	\$1,003,800
LESS AUTO PLATE		\$3,800,000	\$317,318	\$2,964,000	\$518,682
NET IND TOTAL		\$9,657,000	\$806,882	\$8,365,000	\$485,118
SHIRLEY MEAT PLANT		\$3,087,000	\$255,880	\$2,654,820	\$176,300
NCC-DAIRY		\$469,000	\$38,953	\$528,424	(\$98,377)
SECC-DAIRY		\$492,000	\$40,967	\$526,922	(\$75,889)
NET FARM TOTAL		\$4,048,000	\$335,800	\$3,710,166	\$2,034
NET IND/FARM TOTALS		\$13,705,000	\$1,142,682	\$12,075,166	\$487,152

Financial Statement

Exhibit B-4

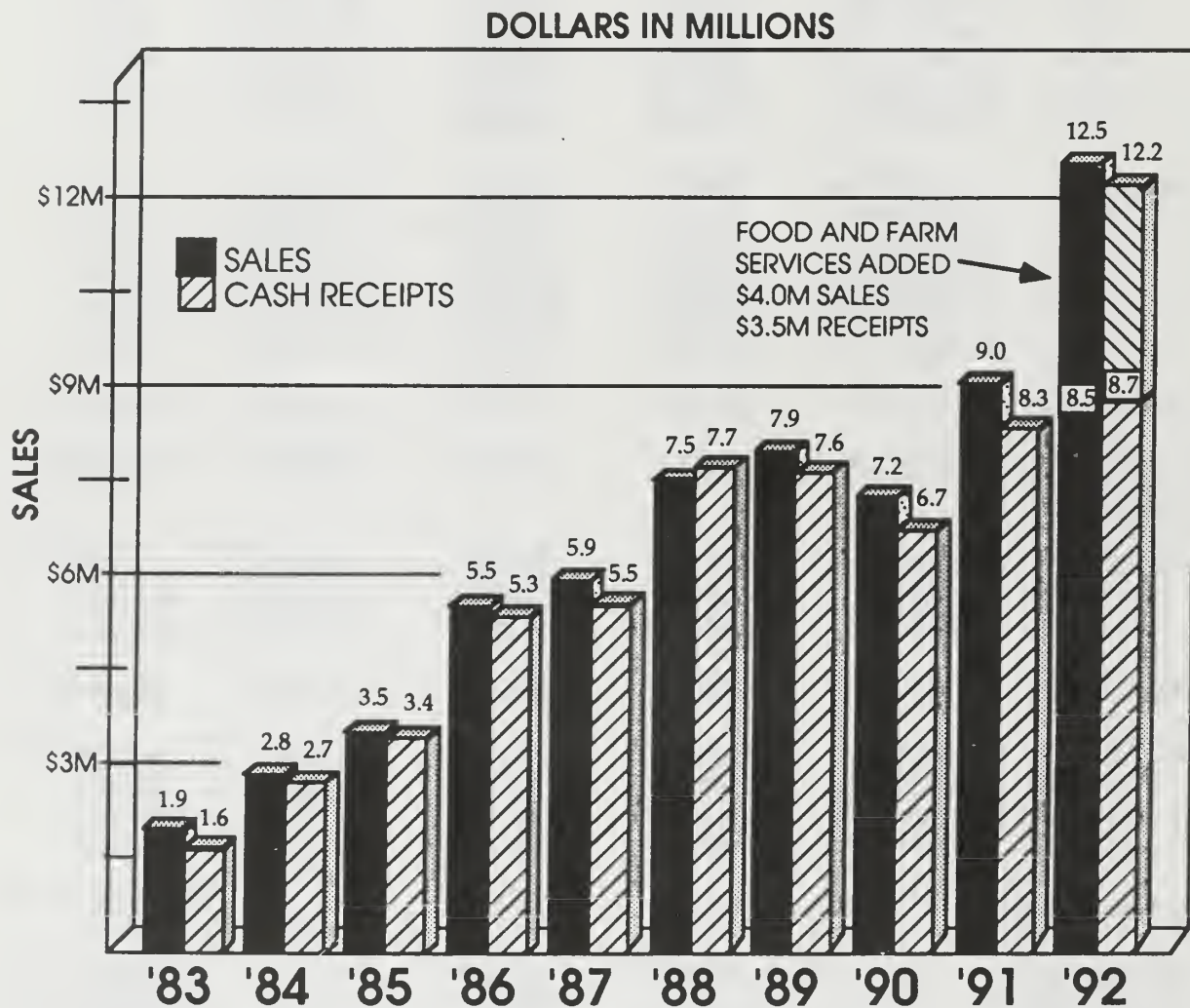
Fiscal Year 1995 Projected Profit/Loss

INSTITUTION/SHOP		PRO/ SLS	SG&A	CST TO SLS	PRFT(LOSS)
NORFOLK	CLOTHING	\$843,000	\$71,003	\$758,000	\$13,997
	FURNITURE	\$530,000	\$44,527	\$477,000	\$8,473
	JANITORIAL	\$385,000	\$32,493	\$270,000	\$82,507
	PART/UPHOL	\$367,000	\$30,989	\$315,000	\$21,011
	METAL	\$825,000	\$69,498	\$660,000	\$95,502
	MATTRESS	\$620,000	\$52,350	\$478,000	\$89,650
	TOTAL	\$3,570,000	\$300,860	\$2,958,000	\$311,140
WALPOLE	VALIDATION	\$509,000	\$42,743	\$407,000	\$59,257
	BRUSH	\$560,000	\$47,128	\$515,000	(\$2,128)
	ASMBLY	\$88,000	\$7,672	\$66,000	\$14,328
	SHEET/TWLS	\$1,555,000	\$130,423	\$1,244,000	\$180,577
	AUTO PLATE	\$3,800,000	\$320,029	\$2,964,000	\$515,971
	TOTAL	\$6,512,000	\$547,995	\$5,196,000	\$768,005
FRMNGHM	FLAG	\$193,000	\$16,885	\$202,000	(\$25,885)
CONCORD& SHIRLEY	FURNITURE	\$933,000	\$78,285	\$793,000	\$61,715
GARDNER	OPTICAL	\$445,000	\$37,342	\$391,000	\$16,658
	WOOD	\$45,000	\$4,103	\$86,000	(\$45,103)
	TOTAL	\$490,000	\$41,445	\$477,000	(\$28,445)
O.C.C.C.	PRINT	\$846,000	\$70,610	\$745,000	\$30,390
S.E.C.C.	BINDERY	\$286,000	\$24,204	\$243,000	\$18,796
	SILKSCREEN	\$69,000	\$5,858	\$93,000	(\$29,858)
	SIGN	\$80,000	\$6,778	\$107,000	(\$33,778)
	TOTAL	\$435,000	\$36,840	\$443,000	(\$44,840)
RENOV/CONST		\$1,022,000	\$85,960	\$960,000	(\$23,960)
SUB-TOTAL		\$14,001,000	\$1,178,880	\$11,774,000	\$1,048,120
LESS AUTO PLATE		\$3,800,000	\$320,029	\$2,964,000	\$515,971
NET IND TOTAL		\$10,201,000	\$858,851	\$8,810,000	\$532,149
SHIRLEY MEAT PLANT		\$3,241,350	\$273,500	\$2,787,561	\$182,289
NCC-DAIRY		\$478,380	\$40,242	\$533,709	(\$95,571)
SECC-DAIRY		\$501,840	\$42,378	\$532,191	(\$72,729)
NET FARM TOTAL		\$4,221,570	\$356,120	\$3,853,461	\$13,989
NET IND/FARM TOTALS		\$14,422,570	\$1,214,971	\$12,663,461	\$544,138

Financial Statement

Exhibit C

10 Year Comparison - Sales Vs Cash Receipts







Commonwealth of Massachusetts
Department of Correction
Larry E. DuBois
Commissioner

MASS. HS 72.2.515/113

**Massachusetts
Correctional
Industries**

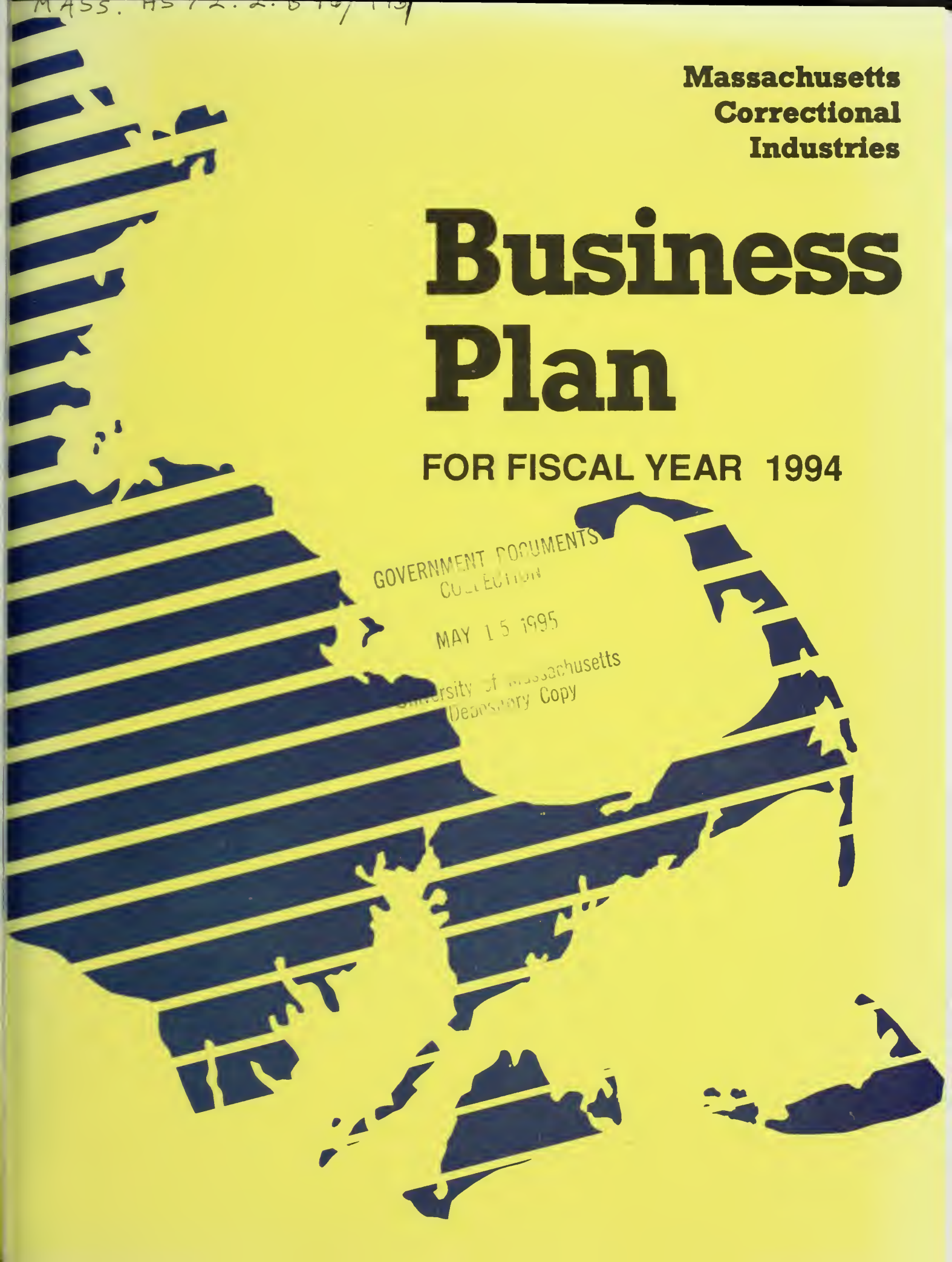
Business Plan

FOR FISCAL YEAR 1994

GOVERNMENT DOCUMENTS
COLLECTION

MAY 15 1995

University of Massachusetts
Depository Copy



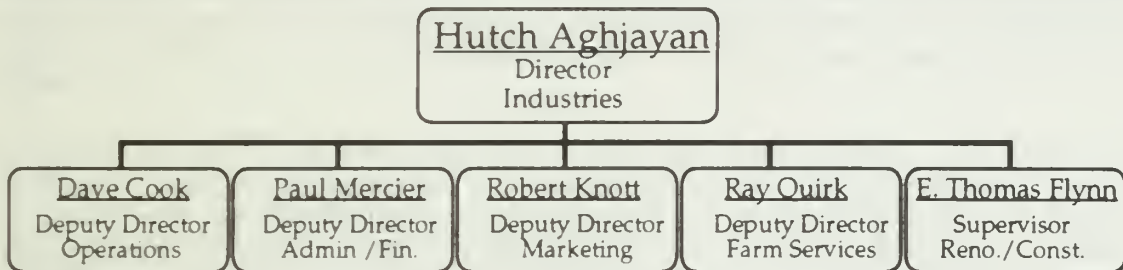




Massachusetts
Correctional Industries

Business Plan

- Section I -
Report of Business Operations
Fiscal Year 1994



Mission Statement

To provide the maximum number of work opportunities for inmates consistent with efficient use of program resources and public safety, while developing skills in participants which will be useful in their successful reintegration back into society.

Business Report

Director's Letter

Despite several major challenges which the program had to meet, I am pleased to report that completion of fiscal '93 operations finds Correctional Industries at the threshold of a new fiscal year better able to continue to perform the mission of providing the maximum number of employment opportunities to the inmates in our system consistent with fiscal efficiency. The program was not able to operate the year at financial self-sufficiency and program working capital had to be used for a number of one-time necessities which are now, it is hoped, behind us for the most part. Although these expenditures were not specifically oriented toward the growth of the program, they will assure that Industries is an ongoing and viable part of the Department of Correction.

One of these major expenditures was made to move the wood manufacturing operations from MCI-Concord to MCI-Shirley in support of a mission change. Equipment originally procured for MCI-Shirley was diverted to MCI-Norfolk and used to expand existing metal operations at that facility. Equipment to set up a drapery manufacturing operation was also a part of the new equipment sent to Norfolk and has been installed. Training is now underway to bring this new shop to be fully operational.

The department's adoption of new tool, key and count controls has resulted in another major necessary expenditure by Industries to put in place the facilities and procedures in every institution in which we operate that will bring Industries into full conformance with department policy.

A further reduction of Industries working capital was experienced as a result of insufficient funding for the manufacturing of license plates. Industries was directed to subsidize license plate materials from the revenue account in the amount of \$260,000.

One other factor which affected working capital adversely occurred in our Farm Services program. A shift of dietary plans to a new cycle menu requiring less meat and milk together with a movement to privatized feeding in our institutions has brought about declines in the sales of these products. The result of lower sales means increasing overhead must be spread over a diminished sales base. Efforts undertaken to develop new products and to identify new customers have not yet taken effect.

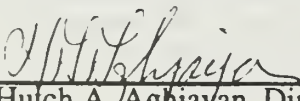
Shipped sales for FY'93 were \$12,135,374 including license plates. This represented a 13.4% decrease over the previous year and is explained by the reduction of farm sales as well as a decline in requirements for furnishings and equipment for new prison construction. A capital expansion bill is under consideration and awaiting the action of the General Court. Sales were also significantly affected by the loss of production of the wood manufacturing operations for a substantial portion of the year.

Department re-organization during the fiscal year altered Industries' reporting chain of command from the Associate Commissioner of Programs and Treatment to the Assistant Deputy Commissioner for the Bridgewater Complex.

Business Report

Reductions in the sales of Industries' products together with changes affecting overhead cost distribution will require substantial study and modification in the new fiscal year so that resources can continue to be diverted to those operations which contribute the greatest inmate employment and revenues.

Industries staff continues to perform at a high level of competence without which the challenges we have faced would have been overwhelming. They deserve an emphatic well done.



Hutch A. Aghjayan, Director

Business Report

Marketing and Sales

General

Fiscal year 1993 proved to be a year of positive and negative performances. Although total shipments were down from fiscal year 1992, there is plenty of room for cautious optimism for fiscal year '94.

In Review

In spite of the lack of a prison expansion program in FY' 93, the disruption of production in the wood furniture shop and four month absence of production in the modular furniture line due to shop relocation, shipments for the fiscal year still managed to top the \$7 million mark reaching a total \$7,420,987. This represents a decrease of \$1,309,578 from FY'92, or slightly less than 15%. The loss in furniture sales alone accounted for over \$250,000. Strong positive performances from the Norfolk Upholstery Shop, the Cedar Junction Validation Shop, the Gardner Optical Shop, Old Colony Print Shop and the Southeastern Sign and Silk Screen Shops helped to offset the declines in the metal, clothing and assembly shops which suffered from the lack of prison expansion.

Particularly encouraging were the results of efforts to institute quick ship programs. In the janitorial supplies line, efforts to improve product availability and customer service resulted in a strong second half performance. A similar program in the flag shop was slower in developing, but should show an impact in the coming year.

A Look Ahead

Our cautious optimism for FY'94 revolves around several factors. One of the factors is the continued strong activity generated by our cooperative programs with private industries. MCI will continue to foster these programs and seek new opportunities and alliances to expand products and services that we can make available to our state, county and municipal customers.

The new fiscal year will bring the development of several new shops. New product lines will include draperies, embroidered products and telemarketing, data entry and direct mail services. Our initial indications are that these shops represent areas that promise very good growth in coming years.

In addition to the new shops coming on line this year, new products will be developed and tested for inclusion in the line. Among the products being considered will be a selection of environmentally friendly cleaning products. Also under consideration will be promotional items that would be manufactured in the sewing and embroidery shops.

In the final analysis, our ability to expand our sales base will depend upon a successful marketing plan. To achieve that end, plans will be formulated for a new product catalog. Target mailings of product brochures and promotional events will be circulated to our customers on a regular schedule. We believe this dedicated effort will result in a positive performance in FY'94.

Business Report

Operations

General

Implementation of tool control and the move of a major shop resulted in significant loss of production time at most of our major shops- Norfolk, Concord and Cedar Junction. This was coupled with heavy investment in materials and labor to build the new tool cribs, inventory tools, mark tools and generally bring shop security to the required levels. This together with an on-going loss of production time, under the new policies, resulted in many missed deliveries and a significant operating loss for FY'93.

Accomplishments

Industries, having the most tools, bore the brunt of implementing the new tool control policy. We invested over \$300,000 in staff and resources. MCI-Norfolk alone had the equivalent of four (4) full time staff for over six months involved in tasks related to tool control. Production in some shops had to be shut down for weeks at a time to set up tool cribs, locks, barriers and new procedures. An on-going effect of these new procedures has been loss of up to 25% of our production time which now must be regained.

This situation also delayed the start up of the new drapery and broom shops. We are taking steps to correct this and recovery is well under way.

The wood shop was moved from MCI-Concord to MCI-Shirley. This consisted of over 60 truck loads of equipment and stock. The equipment had to be disconnected, prepared for shipment and then set up and connected at the new site. Start up has been slow due to a combination of staff shortages and working out security/safety problems with the institution.

Safety and Environment Issues

Shops and equipment, for the most part, are in good shape. Industries has expended significant money in the past few years on facility upgrades, safety and environmental issues. We have received good marks in our safety and environmental inspections and will continue to improve as equipment and processes become available. The wet belt finishing machine recently installed at Norfolk has reduced our use of toxic cleaning agents for metal paint preparation by 90%.

Production Shop Improvement

The Print shop (OCCC), metal shop (MCI-Norfolk), janitorial shop (MCI-Norfolk) and the sign shop (MCI-Cedar Junction) have all been recently upgraded in quality of product and cost effectiveness. The janitorial shop is in the process of expanding again due to the increase in orders. SECC shop layout and warehouse space have been upgraded to provide improved surveillance and work flow. The new wood shop at MCI-Shirley has, during the move had all of the machinery electrical wiring brought up to code and lockouts installed. The shop itself was laid out to optimize work flow, storage space and provide maximum surveillance.

Business Report

Renovation/Construction

The Renovation/Construction Division of Correctional Industries ended FY'93 with sales under projections and after assignment of division overhead, the division fell short of break even by \$117,296. A number of factors impacted this division in FY'93. Following are some of the highlights.

The capabilities of the Renovation/Construction staff to operate at full potential has been affected by the implementation of the new tool control policies; illness within our staff and the unavailability of inmates from Pondville Correctional Center with background skills in the construction field.

The new multi-bay auto body building on the grounds of MCI-Concord was completed by Renovation/Construction early in FY'93. This building is equipped with a class room, spray booth and necessary equipment and is now functioning as an expanded training facility for our auto body industries. The shop is on its way to being a viable source of revenue.

A variety of trade capabilities were utilized by Renovation/Construction Instructors in completion of a number of projects for the DOC during FY'93 such as:

- 1) Renovation of the Addiction Center's Medical Area and the construction of two new dental suites at SECC Bridgewater Complex.
- 2) Interior renovations and installation of work stations in Administration and Business Offices at DOC Central Offices in Boston.
- 3) Construction of a communication room and related installation of cabling for the new phone and data systems at DOC Central Office in Boston.
- 4) Remodeling of an existing classroom into a computer teaching lab at Medfield Training Academy.

Renovation/Construction is presently under contract with the DOC for the complete renovation of the outpatient department holding area at Lemuel Shattuck Hospital. This very complex project requires extensive supervision and close coordination with hospital facilities and the Office of Capital Management. This project is scheduled for completion by the end of FY'94. Renovation/Construction will continue to utilize all its resources to maintain job progress and complete this project on time and within budget.

During FY'93 the crews of Renovation/Construction have also completed projects for a number of other state agencies which include:

- Interior renovations and installation of new work stations for Criminal Justice Department.
- The completion of the delivery and assembly of new furniture for Hampden County's new jail facility in Ludlow, Mass.
- The conversion of eight existing patient rooms to full handicapped baths with showers at Lemuel Shattuck Hospital for the Department of Public Health.
- Renovation of existing classrooms into new office space to function as headquarters for the Criminal Justice Training Council in Burlington.

Middlesex Community College remained as one of our steady customers for the moving crew during the early part of the year with their continued consolidation of campuses.

In light of constricted state budgets, Renovation/Construction has had a decline in the number of projects requested by state agencies. We still strive to maintain a service that is functional and cost effective.

Business Report

Food and Farm Services

General

The most recent fiscal year (FY'93) proved to be one of the most challenging for Farm Services, as it attempted to maintain self-sufficiency as in the previous year. However, due to facility closures, privatization and tighter budget allocations, meat product sales were down by approximately \$700,000.00. It is the intention of Farm Services to expand its product mix and enlarge our customer base in an effort to increase sales to achieve self-sufficiency.

Meat Processing Plant

In fiscal year '93, the meat plant generated revenues of approximately \$2.1 million which as previously mentioned was much lower than we had anticipated. To increase our sales volume the meat plant has already expanded its product line to include hamburger with textured vegetable protein which our customers have been purchasing from another vendor. We have only offered this product for one month and orders are strong. In addition, an expansion of markets will be pursued to include county systems and possibly other state correctional systems.

Dairy Operations

Both NECC and SECC continued to operate as dairy enterprises as they have in previous years. This requires the planting and harvesting of corn silage, alfalfa and timothy hay to provide feed for the dairy herd consisting of 470 cows.

In addition, the farm staff, milk, process, package and subsequently deliver the finished product to the end user facilities. Preventive maintenance of equipment, as well as thorough cleaning and sanitation of the milk parlor and processing area is an absolutely necessary and on-going practice to comply with all state and federal standards. During FY'93, approximately 3.9 million pounds of milk was processed and sold generating sales of \$1 million.

In conclusion, I would like to state that Farm Services's site operations are continuing to work closely with institutional administrations to ensure that we are in total compliance with truck, tool, key and inmate count procedures mandated by policy.

Business Report

Quality Control

General

During FY'93, Industries continued the implementation process that when completed will establish a system wide "Total Quality Management" program. Technical assistance in areas such as production planning, material specifications, product drawings, critical control points, inspection methods, statistical records and in-service training has been provided at various sites to facilitate implementation.

Implementation

In order to develop an effective quality control system in a production area, we have addressed the need to establish formats and criteria for the following items:

- Accurate purchasing specifications
- Incoming inspection criteria
- Standard product bill of materials and drawings
- Provide shop job packets with move tickets
- Establish in-process inspection points and criteria
- Establish specific inspection methods test
- Develop final inspection procedures
- Establish a system that insures traceability
- Initiate cost of quality reporting system
- Develop correction action procedures
- Establish employee training programs

By utilizing the above referenced material as well as in examining specific shop operations, many of our industry sites have developed and implemented quality control programs. Old Colony has initiated a total quality control procedure that addresses all the pertinent details to ensure effective results. Walpole Industries has initiated in-process quality control procedures in the auto plate, furniture and silk screen shops. These procedures are comprehensive in that they involve production planning, specification review, in-process inspections, traceability, re-work amounts and cost analysis. Norfolk Industries has also initiated in-process quality control procedures in various shops and they are developing quality control procedures for shipping/receiving functions as well as for the metal shops. Other industry sites are still in the development phase and have not initiated in-process quality control procedures in their respective shops.

Quality Control Policy

A draft of a "Total Quality Control Policy" has been completed which clearly states our quality objectives and delineates procedurally how those objectives will be accomplished. This policy addresses all activities pertinent to the quality of a product or service. All phases of planning from initial market identification to final satisfaction of customer requirements, expectations and activities are part of the policy. Once promulgated, Industry supervisors will be responsible for assuring that the Quality Control Policy is implemented at their site.

Due to the recent departure of the Deputy Director of Farm Services, the Director has appointed the Deputy Director of Quality Control as Acting Deputy Director of Farm Services. This appointment was made to ensure continued administrative direction in this division. All Industry supervisors will continue the implementation of the quality control system at their locations.

Business Report

Administration/Finance

Computerization

During FY'93, Correctional Industries purchased additional computer hardware which will be used to improve our capabilities. This will allow more detailed information to be developed in a more timely manner.

Accounts Receivable

In FY'93, the accounts receivable function became a major area of constant review and monitoring. This was necessary to ensure that funds needed to operate the program were available when needed to meet our financial obligations.

Profit (Loss) Projections Vs. Actual

The following table reflects the actual profit or loss statements versus the original projection in the FY'93 Business Plan.

<u>Site/Shop</u>	<u>Proj.</u>	<u>Actual</u>	<u>\$ Difference</u>
MCI-Norfolk			
Clothing	\$17,812	(\$58,786)	-\$76,598
Furniture	(\$16,780)	(\$64,789)	-\$48,009
Janitorial	\$68,749	\$43,478	-\$25,271
UPH/Part	\$13,797	(\$29,867)	-\$43,664
Metal	\$96,035	\$37,775	-\$58,260
Mattress	\$61,237	(\$44,476)	-\$105,713
MCI-Cedar Junction			
Validation	\$46,547	\$72,907	+\$26,360
Sewing	\$11,988	(\$34,360)	-\$46,348
Brush	(\$12,933)	(\$16,478)	-\$3,545
Assembly	\$160,910	\$67,605	-\$93,305
Auto Plate	(\$51,515)	\$100,582	+\$152,097
MCI-Framingham			
Flag	(\$41,087)	(\$15,722)	+\$25,365
MCI-Concord/Shirley			
Furniture	\$37,605	(\$268,797)	-\$306,402
MCI-Gardner			
Optical	\$9,685	(\$8,778)	-\$18,463
Wood	(\$48,015)	(\$75,146)	-\$27,131
Old Colony CC			
Print	\$16,907	\$29,615	+\$12,708
MCI-SECC			
Binder	\$15,710	(\$101,582)	-\$117,292
Silkscreen	(\$29,562)	(\$46,664)	-\$17,102
Sign	(\$35,144)	\$8,781	+\$43,925
Reno/Construction	(\$41,291)	(\$117,296)	-\$76,005
Shirley - Meat Plant	\$128,146	(\$39,439)	-\$167,585
NCCI/Dairy	(\$107,386)	(\$203,494)	-\$96,108
SECC/Dairy	(\$64,254)	(\$184,397)	-\$120,143
Net Total	\$267,916	(\$949,328)	(\$1,217,244)



MASSCOR
Massachusetts
Correctional Industries

Business Plan

- Section II -
Fiscal Year 1994 Master Plan &
Objectives by Department



Master Plan

Executive Summary

The focus and thrust of the Industries program in FY'94 will be devoted to enlisting effort by every staff person to search for ways to reduce overhead and at the same time become more efficient. This will be done to lower costs and services wherever possible to users while maintaining financial self-sufficiency of the program.

A shop by shop review will be undertaken to examine each staff person's responsibilities and to determine whether a more favorable outcome in terms of inmate jobs and revenue maximization can be achieved through redeployment of resources. Shops employing relatively few inmates or which are generating losses will be candidates for reorganization.

Because overhead absorption in the Industries program is calculated as a percentage add on to direct labor, the reduction of overhead can be de facto accomplished by a number of means. Through increased sales, reduction of fixed costs, elimination of expenses or by raising prices. All of these will be examined and a plan prepared which will allocate or re-allocate the resources of the program to achieve the desired results of more inmate jobs and greater revenue for use by the program for growth.

A major effort will be undertaken to increase sales, particularly in areas of underutilized capacity. New opportunities for expanded business will be pushed by the development of the telemarketing, data entry and drapery shops. In addition, installation of the new embroidery equipment will create a brand new business. The take over of the broom manufacturing operation from the Ferguson Industries for the Blind will also present a new opportunity for growth as will the capture of the entire Massachusetts Medicaid Optical contract which will remain a high priority project until success is achieved.

It is planned to implement a program of holding quarterly meetings which will involve every Industries staff person in sessions in a process designed to create a forum for open discussion of ways and means to operate more efficiently and at lower cost. In this regard, focus will be maintained on the ongoing continuous quality improvement program.

It is further planned to reconstitute an Industries Advisory Board to assist the director and to function as a resource for information and influence in the community on behalf of the program.

It will continue to remain a high priority to maintain a search for and to develop new products for Industries but also for Farm Services to expand their sales base and bring all farm program to positive self-sufficiency.

A final major area of importance in this fiscal year will be to continue to refine and perfect the implementation of tool, key and count control in cooperation with all our host institutions and to search for procedures which will allow for maximum maintenance of compliance of high quality saleable products and services for our customers.

Master Plan

Marketing and Sales

Overview

For fiscal year 1994, the emphasis must be on expansion of our customer base. In general, most state agencies and municipalities are facing very tight budget allocations. Therefore, we can anticipate each individual agency will spend less this fiscal year. Thus it becomes evident that MCI must maintain a competitive place in the market, increase the number of customers we serve and offer new opportunities for our customers to do business with us. Also, we must insure that all our customers and prospects are made aware of the full scope of our product and service lines.

Product Marketing

To help us accomplish our marketing plan, a system for maintaining contact with customers and prospects will be developed utilizing direct mail, telemarketing and direct sales contact. Updates to product literature and the implementation of periodic promotions will serve to increase our visibility to customers and prospects.

In an effort to expand our customer base, MCI will explore possibilities where we can work in conjunction with industries programs in neighboring states. Prison expansion projects in several states will offer opportunities for us to provide our products and services.

The implementation of a successful cleaning products quick ship program in fiscal year 1993 has proven the value of such a program. Development of this type of program in other product lines will be explored.

With the emphasis on prospect development and account penetration, it is clear that the sales force will need to maximize their planning efforts. To achieve this, we will stress the need for our sales people to develop pro-active habits and techniques. Time and territory management will become even more critical. We will need to identify areas of greatest potential and aggressively seek the business.

New Products

MCI is continually evaluating existing product lines and new product potential. For fiscal 1994, we do not plan to eliminate any product. We will bring several new products into our mix. We plan to expand our clothing line by introducing expanded size ranges. Crew socks will be added to the line. Sweatshirts, casual shorts and new women's items will be added as well.

This year we hope to develop and bring to market a line of environmentally friendly cleaning products. Current tests indicate this to be a promising addition.

A new drapery shop will begin production in the second half of the fiscal year. We look to this shop to be a strong contributor to increased sales in the near future.

Also, new programs will be started in embroidery, telemarketing, direct mail and microfilming. Together, these programs will provide a product expansion that will help us to increase our customer base.

Personnel

Sales and marketing staff members will continue to receive training to help them maintain skills and develop professionally. Developing a new awareness of sales opportunities will be stressed to help us meet our projected performance for fiscal year 1994.

Master Plan

Marketing and Sales

BRUSHES

FY '93 Actual - \$43K
FY '94 Projected - \$70K

Strong base of municipal contracts and mailing program will expand sales.

SIGNAGE

FY '93 Actual - \$128K
FY '94 Projected - \$97K

Ambitious program will help to augment a strong base. This should allow us to offset the extremely active 4th quarter of FY'93.

FLAGS/MICROFILM

FY '93 Actual - \$140K
FY '94 Projected - \$192K

Improved inventory program and increased activity in microfilming will increase sales.

ASSEMBLY/SEWING

FY '93 Actual - \$1,233M
FY '94 Projected - \$1,541M

Encouraging early trends indicate the potential for a good year.

UPHOLSTERY/PARTITION

FY '93 Actual - \$632K
FY '94 Projected - \$500K

Restructuring of product line promises to position us for future growth.

DRAPERY

FY '93 Actual - \$ -0-
FY '94 Projected - \$200K

New program to begin mid-year. This product line will be very good for Industries.

CLOTHING

FY '93 Actual - \$614K
FY '94 Projected - \$721K

Development of new products and planned shipments result in added sales.

BINDERS

FY '93 Actual - \$127K
FY '94 Projected - \$139K

Greater attention to competition and promotion bring results.

CLEANING SUPPLIES

FY '93 Actual - \$289K
FY '94 Projected - \$339K

Our quick-ship program has brought us new business.

Master Plan

Marketing and Sales

VALIDATION/LABELS

FY '93 Actual - \$482K
FY '94 Projected - \$493K

We anticipate continued growth in this line.

OPTICAL

FY '93 Actual - \$432K
FY '94 Projected - \$530K

Continued efforts to expand our customer base will provide growth.

SILK SCREENING

FY '93 Actual - \$70K
FY '94 Projected - \$73K

Increased sales effort will help us maintain our position.

WOOD FURNITURE/MODULAR

FY '93 Actual - \$600K
FY '94 Projected - \$700K

Completed shop relocation means a strong 3rd and 4th quarter.

MATTRESSES

FY '93 Actual - \$346K
FY '94 Projected - \$414K

Continued efforts to obtain contracts and expand sales bring results.

EMBROIDERY

FY '93 Actual - \$ -0-
FY '94 Projected - \$15K

New program will expand sales base.

PRINTING

FY '93 Actual - \$668K
FY '94 Projected - \$733K

Emphasis on customer service and developing new business will increase sales.

METAL

FY '93 Actual - \$424K
FY '94 Projected - \$515K

Modest sales improvement while we prepare for future prison expansion.

RENOVATION/CONSTRUCTION/AUTO BODY

FY '93 Actual - \$710K
FY '94 Projected - \$740K

Additional capabilities enhance the sales for FY'94.

TELEMARKETING

FY '93 Actual - \$ -0-
FY '94 Projected - \$50K

New pilot program offers great potential for future.

Master Plan

Operations

General

Reduction of overhead cost in the product is a major goal. Two elements in this are more efficient use of staff and increase the thruput/hours worked to provide improved overhead absorption. More efficient use of staff will come from combining shops and operations to improve surveillance and instructor backup. Increased thruput will come from more of our present products, new products and new shop processes.

Several possibilities are being pursued for new industries that would employ increased numbers of inmates. We are seeking commitments and institutional support to work out security problems in a manner that will allow safe and effective operation of the shops with less staff. Better communication with the institution staff will allow us to improve relationships, establish our image and involve them in our production problems so that they can offer realistic solutions to our daily security/operational problems that hinder getting the job done. Shortages of warehousing and manufacturing space plagued us in FY'93 and we are developing ways to utilize the manufacturing and storage spaces in all areas more efficiently.

Security

Tool control will be essentially complete in our major shops by November 1, 1993 and our task now is to develop more efficient operational solutions under this policy that will allow us to regain our former production levels.

Staffing

Our staff in general is well versed in the problems of manufacturing operations in a prison environment. We are recruiting, as allowed, to maintain our levels of expertise. Our ability to develop products, set up new shops and bring new products on line will be extremely curtailed if we cannot solve staffing and expertise shortages.

New Equipment and New Shops

The wood/fiber resin furniture shop at MCI-Shirley has been moved and is back in operation. Our major task is now to regain the business lost during the move and to update the product line in both fiber resin and wood.

The drapery shop at MCI-Norfolk has been installed and is in the process of training staff and inmates. It should be doing production orders by the end of 1993.

The broom making operation has been moved from Gardner to MCI-Shirley (minimum) and is in the process of being set up. We have an arrangement with Industries for the Blind to take over broom production by the end of the year.

Expansion of the optical shop - NCCI is waiting new contracts

Embroidery operation - SECC/ machinery has been received and is in the process of being set up.

A new computer drafting system has been installed and coupled to the computer controlled cutting equipment at MCI-Norfolk. This greatly improves our operational situation and reduces the possibility of contraband manufacture. This system will be used in the manufacture of aluminum, stainless as well as steel products. Test jobs have been completed on aluminum sign blanks and we will be going into full production.

Master Plan

Renovation/Construction

General

In order to maintain the goal of self-sufficiency for this division within Correctional Industries in FY'94, it is vital that Renovation/Construction implement a plan to reduce overhead. We plan to do this by increasing the efficiency of our work projects, controlling material cost and implementation of as many capital savings projects as possible by increasing the ratio of inmates to staff.

Production and Efficiency

The new tool control policy and inventory control have to be streamlined when implemented to be workable without affecting the production schedule of Renovation/Construction projects.

In FY'93 Renovation/Construction put into effect a four day work week to allow a longer working day for staff and crews, thus attaining greater efficiency of production with less set up cost.

The manager of Renovation/Construction and his staff will continue to conduct monthly organizational meetings to review work projects, schedules and discuss any security issues. In addition the manager and his staff will be conducting quarterly open discussion meetings regarding the elimination of waste, cost savings, efficiency and quality improvements.

Curtailment of Internal Projects

In FY'94 we plan to assist the Coordinator of Cottage Industries with the remodeling of the Transportation Building at MCI-Concord for re-use as a gift shop. We will provide equipment, technical assistance and licensed personnel. Our emphasis, however, will continue to be on external projects, generating revenue. This division will carefully select projects for inmate training that will provide prudent use of materials and the most efficient use of manpower hours available.

Work Expansion

Staffing levels will remain constant during FY'94 and the focus will be on training and performance of inmate work crews and honing of acquired skills. Attempting to be more productive with a fixed staff, the emphasis will be on efficiency of operations.

Renovation/Construction plans to continue to solicit other government agencies for projects selecting those that are best tailored to our capabilities and time frame.

Master Plan

Food and Farm Services

General

Farm Services is projecting sales of \$3,000,000 million for FY'94 which will provide very little revenue over expenses. Therefore, FY'94 activity will focus on increasing our sales volume through the addition of new products and by enlarging our customer base. We will also examine each enterprise's method of operation to determine if there are realistic ways to reduce operating cost while increasing excess revenue.

Meat Processing Plant

The meat plant is projecting sales of \$1.9 million for FY'94. We need to increase this amount by at least \$500,000 to satisfy our mandate of self-sufficiency. This can be accomplished by working with our vendors to reduce raw material cost, review meat specifications to produce product more efficiently and thus lower overhead to ensure more competitive pricing. During the course of this year we will also aggressively pursue additional customers to help increase our sales volume. A survey questionnaire has been sent to all our customers to solicit their views on the quality and competitiveness of our meat products. Based on their responses, we will make the appropriate adjustments to our products if needed.

Dairy Operations

The dairy farm operations have utilized all the available acreage for the cultivation of animal feed (corn and hay) to support the existing herds. Therefore, in order to expand our customer base we need to secure a reliable vendor to supply us with raw milk. We will work with DPGS to develop a bid proposal for raw milk and get a vendor under contract to enhance our chances of increasing sales. In July, we began processing fruit juice concentrate in 4 oz. containers and we are currently selling this product to 4 facilities. We hope to expand sales of this product but we need to be very careful because fruit juice concentrate costs are extremely volatile which affect unit prices.

Our goal for FY'94 is to establish a positive cash flow and successfully meet our mandates and mission statement.

Master Plan

Administration/Finance

Computerization

With the installation of additional new computer hardware in FY'94, Correctional Industries will be able to continue working towards its goal of providing more detailed reports. The computer system equipment now installed at Central Industries headquarters should be sufficient to meet our needs for the foreseeable future.

Cash Flow Management

The cash flow mangement system, utilized by Correctional Industries will continue to be a very important element to ensure that sufficient funds area available to meet payroll and operational needs.

Accounts Receivable

The improvements made to our accounts receivable system last fiscal year will allow Correctional Industries to better monitor and collect funds this fiscal year.

Exihibit P - 1, 2, 3 - These pages outline the FY'94 spending plans for the Industries Division, Food and Farm Division and the total of both divisions.

Exihibit P - 4, 5, 6 - These pages outline the FY'94 spending budgets by state appropriation and by each location within Industries and Food and Farm services.

Master Plan

Exhibit P-1

CONSOLIDATED SPENDING PLAN FY'94

SPENDING LIMIT FY'94	12,400,000
ESTIMATED FY' 94 RECEIPTS	11,185,000
ESTIMATED USEABLE FY' 94 RECEIPTS	11,140,000
EXPENSE BUDGET AMT YTD 07/01/93	-0-
BALANCE OF USEABLE FY'94 RECEIPTS	11,140,000

REVENUE RECAP FY'93

RECEIVED TO DATE 07/01/93	-0-
BALANCE TO REACH USEABLE RECEIPTS	11,140,000

Staff Payroll Industries	2,534,000
Staff Payroll Farm Services	800,000
Farm Services Site Budget	2,285,500
Farm Services, Capital Expenditures	93,000
Industries Site Budget	2,211,000
Industries, Capital Expenditures	200,000
10k/dozen Towels, 3k/dozen Sheets	354,000
Inmate Wages- Industries	580,000
Inmate Wages - Farm Services	74,000
Temporary Clerical Help	35,000
Student Interns	15,000
Auto Body & Cottage Manager	75,700
Industries Administration Expenses	144,000
Rubbish Removal Contracts	22,700
Hazardous Waste Removal Contract	30,000
Service Contracts	110,000
Concord Gift Shop	50,000
Furniture Assembly Materials	<u>1,240,000</u>
TOTAL OF PLANNED SPENDING	10,853,900
UNSPECIFIED CASH RESERVE	286,100

BREAKDOWN OF ESTIMATED FY'93 USEABLE REVENUE RECEIPTS

Industries Receipts	7,860,000
Farm Services Receipts	<u>3,280,000</u>
Total Estimated Useable Receipts	11,140,000

Master Plan

Exhibit P-2

INDUSTRIES DIVISIONS SPENDING PLAN FY '94

SPENDING LIMIT FY'94	8,600,000
ESTIMATED FY'94 RECEIPTS	7,885,000
ESTIMATED USEABLE FY' 94 RECEIPTS	7,860,000
EXPENSE BUDGET AMT YTD 7/01/93	-0-
BALANCE OF USEABLE FY'94 RECEIPTS	7,860,000

REVENUE RECAP FY' 94

RECEIVED TO DATE 7/01/93	-0-
BALANCE TO REACH USEABLE RECEIPTS	7,860,000

PLANNED EXPENDITURES FY'94

Staff Payroll Industries	2,534,000
Industries Institutional Budgets	2,211,000
Capital Equipment FY'94	200,000
10K/dz Towels, 3K/dz. Sheets	354,000
Inmate Wages Industries	580,000
Student Interns	15,000
Auto Body & Cottage Industries Consultants	75,700
Industries Administration Expenses	144,000
Rubbish Removal Contracts	22,700
Hazardous Waste Removal Contract	30,000
Service Contract Expenses	110,000
Temporary Clerical Services	35,000
	50,000
Furniture Assembly Materials	<u>1,240,000</u>
TOTAL OF PLANNED SPENDING	7,601,400
UNSPECIFIED CASH RESERVE	258,600

Master Plan

Exhibit P-3

FOOD AND FARM SERVICE CASH FLOW PLAN FY'94

SPENDING LIMIT FY' 94	3,800,000
ESTIMATED FY' 94 RECEIPTS	3,300,000
ESTIMATED USEABLE FY' 94 RECEIPTS	3,280,000
EXPENSE BUDGET AMT YTD 07/01/93	-0-
BALANCE OF RECEIPTS TP BUDGET	3,280,000

REVENUE CAP FY'94

RECEIVED TO DATE	-0-
BALANCE TO REACH USEABLE RECEIPTS	3,280,000

PLANNED EXPENDITURES FY' 94

Staff Payroll Farm Services	800,000
Meat Plant (Shirley)	1,700,000
Northeast Correctional Center	297,000
Southeast Correctional Center	350,000
New Vehicles/Equipment	93,000
Administration Expenses	<u>12,500</u>
TOTAL OF PLANNED SPENDING	3,252,500
UNSPECIFIED CASH RESERVE	27,500

Master Plan

Exhibit P-4

FOOD AND FARM SERVICES SPENDING BUDGET BY ENTERPRISE

<u>INSTITUTION</u>	<u>ENTERPRISE</u>	<u>AMOUNT</u>
<u>MCI-Shirley</u>	<u>Meat Plant</u>	
	Inmate Wages	20,000
	Raw Meat Product	1,613,100
	Packaging - Boxes/Bags	20,000
	Lease-Freezer	8,400
	Administration	500
	Repairs/Replacements	12,000
	Spices	19,000
	Linens/Knives	5,500
	Housekeeping	<u>1,500</u>
	Total	1,700,000
<u>NECC</u>	<u>Dairy</u>	
	Inmate Wages	23,000
	Animal Feed	77,000
	Vehicles Expenses	10,000
	Dairy (Breeding Supplies)	33,000
	Fertilizer/Seed	25,000
	Skim Milk/Juice	18,000
	Packaging Materials	55,000
	Repairs	40,000
	Consultants	12,000
	Misc/Administration	<u>4,000</u>
	Total	297,000
<u>SECC</u>	<u>Dairy</u>	
	Inmate Wages	31,000
	Animal Feed	90,000
	Vehicles Expenses	10,000
	Dairy (Breeding Supplies)	42,500
	Fertilizer/Seed	21,500
	Lime	6,000
	Packaging/Materials	55,000
	Skim Milk/Juice	23,000
	Repairs	35,000
	Consultants	15,000
	Building Repairs	15,000
	Misc/Administration	<u>6,000</u>
	Total	350,000
<u>Administration</u>		
	Travel	1,500
	Fuel for Vehicles	8,000
	Repairs to Vehicles	3,000
	Vehicle/Equipment	<u>93,000</u>
	Total	12,500
TOTAL OF ALL ENTERPRISE BUDGETS		2,452,500

Master Plan

Exhibit P-5

INDUSTRIES FY'94 SPENDING BUDGETS BY SHOP

<u>INSTITUTION</u>	<u>SHOP</u>	<u>AMOUNT</u>	<u>FY'94 REVENUE ESTIMATE</u>
<u>Old Colony</u>	Print Shop	<u>270,000</u>	<u>700,000</u>
<u>MCI-Norfolk</u>	Drapery Shop	168,800	
	Metal Shop	152,900	
	Clothing Shop	216,400	
	Mattress Shop	114,200	
	Janitorial Shop	74,000	
	Uph/Part. Shop	<u>194,700</u>	
	Norfolk Total	921,000	2,615,000
<u>SECC</u>	Binder Shop	80,000	
	Silkscreen Shop	20,000	
	Sign Shop	<u>40,000</u>	
	SECC Total	140,000	360,000
<u>MCI-Shirley</u>	Furniture Shop	<u>220,000</u>	600,000
<u>MCI-Fram.</u>	All Operations	<u>70,000</u>	130,000
<u>NCCI-Gardner</u>	Optical Shop	<u>170,000</u>	440,000
<u>Reno/Const.</u>	Reno/Const.	180,000	
	Auto Shops	<u>50,000</u>	
	Reno/Const. Total	230,000	850,000
<u>MCI-Cedar Junction</u>	Brush Shop	20,000	
	Validation Shop	170,000	
	Sewing Shop	354,000	
	Furniture Assm	<u>1,240,000</u>	
	Cedar Junction Total	1,784,000	2,190,000
TOTAL ALL INDUSTRIES SHOP BUDGETS		3,805,000	7,885,000

STATE APPROPRIATION
BUDGET PLAN FY'94

AA Salary Account	\$540,000
FF Plate Shop Materials/Supplies	394,720
JJ Inmate Wages (Plate Shop)	60,000
LL Plate Shop Service Work	<u>3,000</u>
TOTAL STATE APPROPRIATION	997,720



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Business Plan

- Section III -
Financial Reports

1905

1905

1905

1905

Financial Statements

Notes and Reference

General

The financial statements appear in the final pages of this report. For FY'94 and beyond, Correctional Industries has developed a systematic plan to provide pro-formal financial statements, capital expenditure budgets and cash flow analysis in a timely manner for management.

Effect of Reduced License Plate Sales

The failure to sufficiently fund the auto plate account has resulted in a reduced sales total for this product line. This reduction in sales has had a negative effect on Correctional Industries individual shop profit and loss statements.

This is caused by the fact that the Auto Plate shop is not absorbing the percentage of S.G.&A overhead as anticipated when projections for FY'93 were developed. The plate shop is operating at a production level which is only a fraction of its capacity.

In our FY'94 projections, sales from the auto plate shop continue to anticipate product levels much below shop capacity. In our projections for FY'95 and FY'96, anticipated sales of auto plates have increased to reflect the results of increased state appropriation, caused by the return to a two (2) plate per passenger vehicle issue.

Exhibit A

Consolidated Statement of Operations for Fiscal Years 1993, 1992, and 1991 - Demonstrates the profit and loss of each facility and the program as a whole.

Exhibit B -1

Shows the actual sales and profit (loss) for each shop for fiscal year 1993.

Exhibit B-2,3 & 4

Shows the projected sales and profits (shortfall) for each shop for the fiscal years 1994, 1995 and 1996. These projections are based on the current economic conditions within the Commonwealth and its political sub-division as well as our in-house projections.

Exhibit C

A bar graph demonstrating the sales and receipt collections over the last eleven (11) fiscal years.

Financial Statements

Summary of Significant Accounting Policies

Massachusetts Correctional Industries is a program within the Massachusetts Department of Correction. The establishment and maintenance of this program is sanctioned under the General Laws of Massachusetts, Chapter 127, Section 51. Massachusetts Correctional Industries has 22 shops operating in eight penal facilities located throughout Massachusetts.

Food and Farm Services operate three programs in three penal facilities located throughout the state.

Substantially most of the program's sales are made to state and local governmental agencies and non-profit entities.

The accompanying financial statements have been prepared on an accrual basis. Inter-facilities transactions, including profits and losses, have not been eliminated in the consolidation.

Plant and Equipment

Plant and equipment are capitalized at cost or appraised value for donated property and include expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and other minor renewals are expensed as incurred. When properties are disposed of, the related cost and accumulated depreciation are removed from the respective accounts with any gain or loss included in the determination of income. The straight line method of depreciation is used for all depreciable assets. Rates of depreciation are generally based on useful life guidelines.

Inventories

Finished goods inventory is valued at the lower cost or market. Raw materials and supplies inventory are valued using the moving average cost method.

The policy and procedures which have been implemented in regard to inventory taking have provided a useful management tool. We are now able to identify surplus, obsolete materials and finished goods.

Financial Statement

Exhibit A - Consolidated Statement of Operations - FY '93, '92, '91

FY'93	WALDOLE AUTOPLT	WALDOLE OTHER	NORFOLK ALL	CONCORD ALL	FRMGILM ALL	BRDGWTR S E C C	GARDNIER N C C I	BRDGWTR O C C C	RNVIN CNSTR	TOTAL SLIPS ONL	FARM SERVICES
TTL REV	\$1,457,247	\$2,244,998	\$2,547,631	\$311,119	\$139,838	\$324,311	\$475,086	\$667,710	\$710,924	\$8,878,234	\$3,172,543
LESS CST FIN GDS	\$1,182,920	\$1,827,526	\$2,184,661	\$288,214	\$73,505	\$333,489	\$339,183	\$601,689	\$550,780	\$7,381,967	\$3,188,929
GROSS PROFIT	\$274,327	\$417,472	\$362,970	\$22,905	\$66,333	(\$9,178)	\$135,903	\$66,021	\$159,514	\$1,496,267	(\$16,386)
UNABSRBD OIL	\$44,711	\$83,756	\$155,649	\$234,198	\$68,030	\$105,041	\$177,751	\$30,916*	\$270,213	\$1,108,433	\$0
OPERATING PFT	\$229,616	\$333,716	\$207,321	(\$211,293)	(\$1,697)	(\$114,219)	(\$41,818)	\$96,937	(\$110,699)	\$387,834	(\$16,386)
LESS S. G. & A.	\$129,034	\$244,042	\$323,986	\$57,504	\$14,025	\$25,246	\$42,076	\$67,322	\$88,360	\$991,595	\$410,944
NET PROFIT	\$100,582	\$89,674	(\$116,665)	(\$268,797)	(\$15,722)	(\$139,465)	(\$83,924)	\$29,615	(\$199,059)	(\$603,761)	(\$427,330)
FY '92											
TTL REV	\$1,259,871	\$2,373,104	\$3,165,796	\$557,685	\$142,242	\$245,651	\$403,236	\$657,400	\$864,367	\$9,669,352	\$4,011,240
LESS CST FIN GDS	\$984,286	\$1,866,179	\$2,257,215	\$447,628	\$111,389	\$408,394	\$291,632	\$576,975	\$473,530	\$7,417,228	\$4,096,745
GROSS PROFIT	\$275,585	\$506,925	\$908,581	\$110,057	\$30,853	(\$162,743)	\$111,604	\$80,425	\$390,837	\$2,252,124	(\$85,505)
UNABSRBD OIL	\$195,025	\$87,057	\$202,915	\$144,300	\$59,350	\$56,901	\$142,033	\$14,847	\$360,373	\$1,262,801	\$0
OPERATING PFT	\$80,560	\$419,868	\$705,666	(\$34,243)	(\$28,497)	(\$219,644)	(\$30,429)	\$65,578	\$30,464	\$989,323	(\$85,505)
LESS S. G. & A.	\$140,547	\$183,882	\$283,436	\$114,780	\$14,055	\$39,822	\$26,938	\$63,246	\$70,274	\$936,980	\$234,245
NET PROFIT	(\$59,987)	\$235,986	\$422,230	(\$149,023)	(\$42,552)	(\$259,466)	(\$57,367)	\$2,332	(\$39,810)	**\$52,343	(\$319,750)
FY '91											
TTL REV	\$1,841,828	\$2,239,868	\$3,706,728	\$1,056,797	\$128,286	\$371,094	\$250,639	\$584,455	\$648,330	\$10,828,025	N/A
LESS FIN GDS	\$1,686,907	\$1,820,190	\$2,731,055	\$793,170	\$106,611	\$395,992	\$176,259	\$580,275	\$386,352	\$8,676,811	
GROSS PROFIT	\$154,921	\$419,678	\$975,673	\$263,627	\$21,675	(\$24,898)	\$74,380	\$4,180	\$261,978	\$2,151,214	
UNABSRBD OIL	(\$85,814)	\$35,404	\$68,510	\$54,687	\$49,124	\$17,300	\$178,938	\$56,467	\$331,596	\$706,212	
OPERATING PFT	\$240,735	\$384,274	\$907,163	\$208,940	(\$27,449)	(\$42,198)	(\$104,558)	(\$52,287)	(\$69,618)	\$1,445,002	
LESS S. G. & A.	\$213,078	\$134,576	\$315,029	\$88,698	\$10,195	\$51,995	\$31,605	\$83,600	\$90,736	\$1,019,512	
NET PROFIT	\$27,657	\$249,698	\$592,134	\$120,242	(\$37,664)	(\$94,193)	(\$136,163)	(\$135,887)	(\$160,354)	\$425,490	

Financial Statement

Exhibit B-1

Fiscal Year 1993 Profit/Loss Actual

<u>INSTITUTION/SHOP</u>	<u>ACT SLS</u>	<u>SG&A</u>	<u>CST TO SLS</u>	<u>PRFT(LOSS)</u>
NORFOLK CLOTHING	\$613,554	\$78,080	\$594,260	(\$58,786)
FURNITURE	\$243,552	\$31,103	\$277,238	(\$64,789)
JANITORIAL	\$289,144	\$36,610	\$209,056	\$43,478
PART/UPHOL	\$631,562	\$80,349	\$581,080	(\$29,867)
METAL	\$424,001	\$53,782	\$332,444	\$37,775
MATTRESS	\$345,818	\$44,062	\$346,232	(\$44,476)
TOTAL	\$2,547,631	\$323,986	\$2,340,3	(\$116,665)
WALPOLE VALIDATION	\$482,411	\$53,201	\$356,303	\$72,907
SEWING	\$530,053	\$58,326	\$506,087	(\$34,360)
BRUSH	\$42,954	\$4,637	\$54,795	(\$16,478)
ASMBLY	\$1,189,580	\$127,878	\$994,097	\$67,605
AUTO PLATE	\$1,457,247	\$129,034	\$1,227,631	\$100,582
TOTAL	\$3,702,245	\$373,076	\$3,138,913	\$190,256
FRMNGHM FLAG	\$139,838	\$14,025	\$141,535	(\$15,722)
CONCORD/ SHIRLEY FURNITURE	\$311,119	\$57,504	\$522,412	(\$268,797)
GARDNER OPTICAL	\$431,884	\$37,868	\$402,794	(\$8,778)
WOOD	\$43,202	\$4,208	\$114,140	(\$75,146)
TOTAL	\$475,086	\$42,076	\$516,934	(\$83,924)
O.C.C.C. PRINT	\$667,710	\$67,322	\$570,773	\$29,615
S.E.C.C. BINDERY	\$126,958	\$9,871	\$218,669	(\$101,582)
SILKSCREEN	\$69,637	\$5,428	\$110,873	(\$46,664)
SIGN	\$127,716	\$9,947	\$108,988	\$8,781
TOTAL	\$324,311	\$25,246	\$438,530	(\$139,465)
RENOV/CONST				
RENO	\$666,936	\$82,970	\$701,262	(\$117,296)
AUTO BODY	\$43,358	\$5,390	\$119,731	(\$81,763)
TOTAL	\$710,294	\$88,360	\$820,993	(\$199,059)
SUB TOTAL	\$8,878,234	\$991,595	\$8,490,400	(\$603,761)
LESS AUTO PLATE	\$1,457,247	\$129,034	\$1,227,631	(\$100,582)
NET IND TOTAL	\$7,420,987	\$862,561	\$7,262,769	(\$704,343)
FOOD AND FARM				
SHIRLEY MT	\$2,100,452	\$272,045	\$1,867,846	(\$39,439)
NECC DAIRY	\$462,846	\$59,998	\$606,342	(\$203,494)
SECC DAIRY	\$609,245	\$78,901	\$714,741	(\$184,397)
TOTAL	\$3,172,543	\$410,944	\$3,188,929	(\$427,330)
NET IND/FARM TTLS	\$10,593,530	\$1,273,505	\$10,451,698	(\$1,131,673)

Financial Statement

Exhibit B-2

Fiscal Year 1994 Profit/Loss Actual

<u>INSTITUTION/SHOP</u>		<u>ACT SLS</u>	<u>SG&A</u>	<u>CST TO SLS</u>	<u>PRFT(LOSS)</u>
NORFOLK	CLOTHING	\$700,000	\$73,882	\$644,000	(\$17,882)
	DRAPERY	\$250,000	\$26,551	\$225,000	(\$1,551)
	JANITORIAL	\$330,000	\$34,921	\$237,600	\$57,479
	PART/UPHOL	\$500,000	\$52,814	\$455,000	(\$7,814)
	METAL	\$550,000	\$58,008	\$429,000	\$62,992
	MATTRESS	\$400,000	\$42,424	\$380,000	(\$22,424)
	TOTAL	\$2,730,000	\$288,600	\$2,370,600	\$70,800
WALPOLE	VALIDATION	\$485,000	\$51,502	\$358,900	\$74,598
	SEWING	\$560,000	\$59,374	\$532,000	(\$31,374)
	BRUSH	\$80,000	\$8,321	\$74,000	(\$2,321)
	ASMBLY	\$1,000,000	\$105,703	\$840,000	\$54,297
	AUTO PLATE	\$1,100,000	\$118,300	\$957,000	\$24,700
	TOTAL	\$3,225,000	\$343,200	\$2,761,900	\$119,900
FRMNGHM FLAG		\$160,000	\$16,900	\$155,000	(\$11,900)
SHIRLEY	FURNITURE	\$750,000	\$79,300	\$770,000	(\$99,300)
GARDNER	OPTICAL	\$530,000	\$55,900	\$490,000	(\$15,900)
O.C.C.C.	PRINT	\$750,000	\$79,300	\$637,500	\$33,200
S.E.C.C.	BINDERY	\$170,000	\$17,804	\$190,000	(\$37,804)
	SILKSCREEN	\$70,000	\$7,336	\$105,000	(\$42,336)
	SIGN	\$140,000	\$14,629	\$115,000	\$10,371
	EMBROIDERY	\$30,000	\$3,131	\$25,000	\$1,869
	TOTAL	\$410,000	\$42,900	\$435,000	(\$67,900)
RENOV/CONST					
	RENO	\$650,000	\$68,263	\$700,000	(\$118,263)
	AUTO BODY	\$80,000	\$8,437	\$130,000	(\$58,437)
	TOTAL	\$730,000	\$76,700	\$830,000	(\$176,700)
SUB TOTAL		\$9,285,000	\$982,800	\$8,450,000	(\$147,800)
LESS AUTO PLATE		\$1,100,000	\$118,300	\$957,000	\$24,700
NET IND TOTAL		\$8,185,000	\$864,500	\$7,493,000	(\$172,500)
FOOD AND FARM					
	SHIRLEY MT	\$1,900,000	\$200,788	\$1,700,000	(\$788)
	NECC DAIRY	\$470,000	\$49,800	\$600,000	(\$179,800)
	SECC DAIRY	\$630,000	\$66,612	\$710,000	(\$146,612)
	TOTAL	\$3,000,000	\$317,200	\$3,010,000	(\$327,200)
NET IND/FARM TTLS		\$11,185,000	\$1,181,700	\$10,503,000	(\$499,700)

Financial Statement

Exhibit B-3

Fiscal Year 1995 Projected Profit/Loss

INSTITUTION/SHOP	ACT SLS	SG&A	CST TO SLS	PRFT(LOSS)
NORFOLK CLOTHING	\$770,000	\$75,420	\$701,000	(\$6,420)
DRAPERY	\$500,000	\$48,912	\$450,000	\$1,088
JANITORIAL	\$360,000	\$35,343	\$262,000	\$62,657
PART/UPHOL	\$550,000	\$53,961	\$510,000	(\$13,961)
METAL	\$600,000	\$58,695	\$468,000	\$73,305
MATTRESS	\$440,000	\$43,232	\$411,000	(\$14,232)
TOTAL	\$3,220,000	\$315,563	\$2,802,000	\$102,437
WALPOLE VALIDATION	\$500,000	\$48,935	\$370,000	\$81,065
SEWING	\$590,000	\$57,658	\$470,000	\$62,342
BRUSH	\$85,000	\$8,298	\$79,000	(\$2,298)
ASMBLY	\$1,000,000	\$97,871	\$840,000	\$62,129
AUTO PLATE	\$1,400,000	\$138,627	\$1,190,000	\$71,373
TOTAL	\$3,575,000	\$351,389	\$2,949,000	\$274,611
FRMNGHM FLAG	\$180,000	\$17,914	\$169,000	(\$6,914)
SHIRLEY FURNITURE	\$900,000	\$88,192	\$880,000	(\$68,192)
GARDNER OPTICAL	\$600,000	\$59,254	\$552,000	(\$11,254)
O.C.C.C. PRINT	\$820,000	\$79,924	\$705,000	\$35,076
S.E.C.C. BINDERY	\$180,000	\$17,570	\$175,000	(\$12,570)
SILKSCREEN	\$80,000	\$7,824	\$95,000	(\$22,824)
SIGN	\$160,000	\$15,602	\$127,000	\$17,398
EMBROIDERY	\$60,000	\$5,856	\$50,000	\$4,144
TOTAL	\$480,000	\$46,852	\$447,000	(\$13,852)
RENOV/CONST				
RENO	\$800,000	\$77,925	\$780,000	(\$57,925)
AUTO BODY	\$120,000	\$11,645	\$150,000	(\$41,645)
TOTAL	\$920,000	\$89,570	\$930,000	(\$99,570)
SUBTOTAL	\$10,695,000	\$1,048,658	\$9,434,000	\$212,342
LESS AUTO PLATE	\$1,400,000	\$138,627	\$1,190,000	\$71,373
NET IND TOTAL	\$9,295,000	\$910,031	\$8,244,000	\$140,969
FOOD AND FARM				
SHIRLEY MT	\$2,200,000	\$215,719	\$1,958,000	\$26,281
NECC DAIRY	\$500,000	\$49,072	\$615,000	(\$164,072)
SECC DAIRY	\$660,000	\$64,551	\$730,000	(\$134,551)
TOTAL	\$3,360,000	\$329,342	\$3,303,000	(\$272,342)
NET IND/FARM TTLS	\$12,655,000	\$1,239,373	\$11,547,000	(\$131,373)

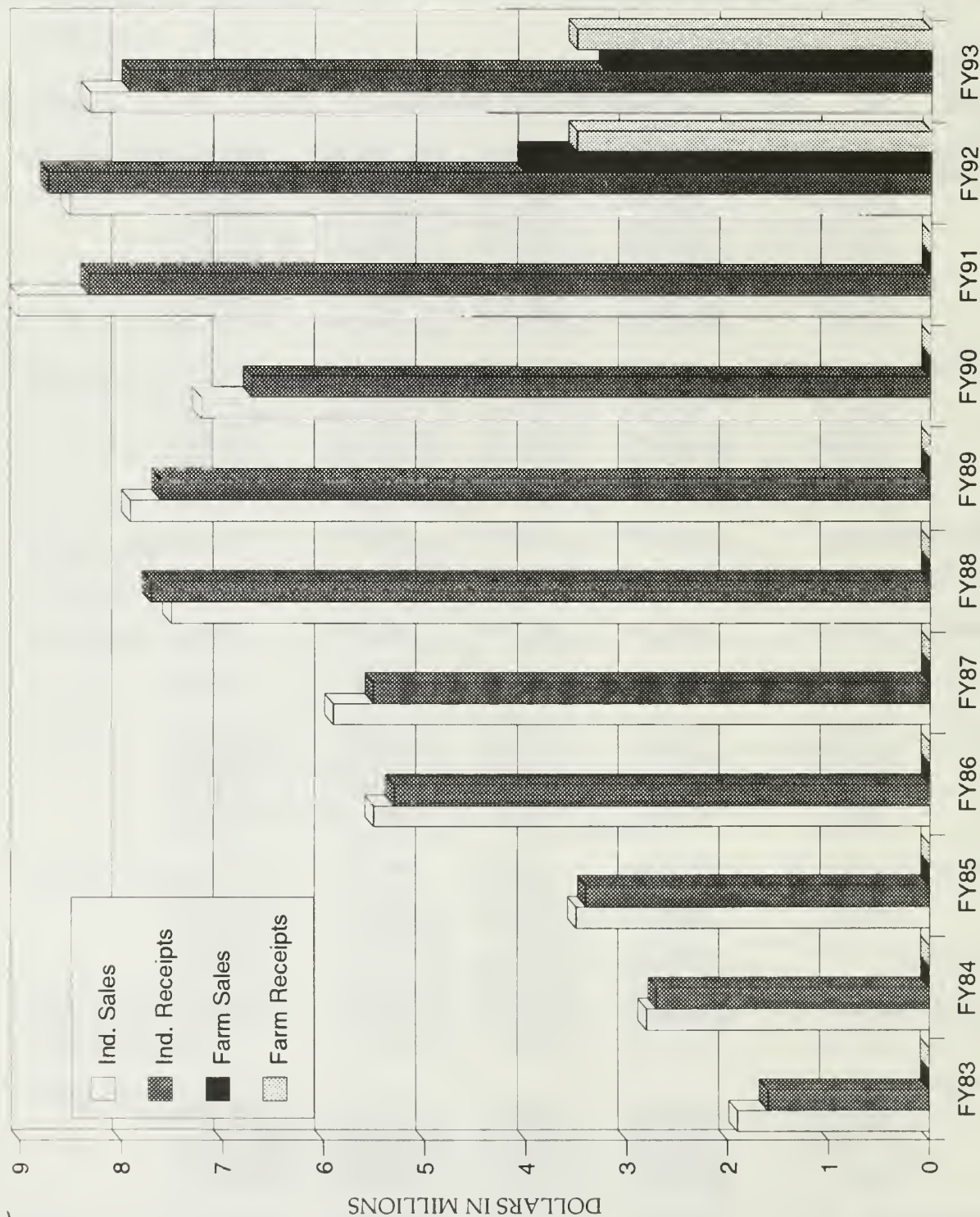
Financial Statement

Exhibit B-4

Fiscal Year 1996 Projected Profit/Loss

INSTITUTION/SHOP		PRO/SLS	SG&A	CST TO SLS	PRFT(LOSS)
NORFOLK	CLOTHING	\$840,000	\$74,680	\$764,400	\$920
	DRAPERY	\$750,000	\$66,802	\$675,000	\$8,198
	JANITORIAL	\$390,000	\$34,600	\$284,700	\$70,700
	PART/UPHOL	\$600,000	\$53,099	\$552,000	(\$5,099)
	METAL	\$800,000	\$70,912	\$624,000	\$105,088
	MATTRESS	\$480,000	\$42,479	\$446,400	(\$8,879)
	TOTAL	\$3,860,000	\$342,572	\$3,346,500	\$170,928
WALPOLE	VALIDATION	\$510,000	\$45,638	\$382,500	\$82,132
	SEWING	\$600,000	\$53,114	\$480,000	\$66,886
	BRUSH	\$85,000	\$7,524	\$79,000	(\$1,524)
	ASSMBLY	\$1,300,000	\$115,301	\$1,092,000	\$92,699
	AUTO PLATE	\$2,700,000	\$239,496	\$2,268,000	\$192,504
	TOTAL	\$5,195,000	\$460,803	\$4,301,500	\$432,697
FRMNGHM	FLAG	\$200,000	\$18,189	\$188,000	(\$6,189)
SHIRLEY	FURNITURE	\$1,200,000	\$106,106	\$1,080,000	\$13,894
GARDNER	OPTICAL	\$650,000	\$57,600	\$592,000	\$400
O.C.C.C.	PRINT	\$850,000	\$75,790	\$731,000	\$43,210
S.E.C.C.	BINDERY	\$185,000	\$16,189	\$179,000	(\$10,189)
	SILKSCREEN	\$85,000	\$7,412	\$99,000	(\$21,412)
	SIGN	\$170,000	\$14,870	\$136,000	\$19,130
	EMBROIDERY	\$80,000	\$7,003	\$69,000	\$3,997
	TOTAL	\$520,000	\$45,474	\$483,000	(\$8,474)
RENOV/	RENO	\$850,000	\$75,080	\$807,500	(\$32,580)
	AUTO BODY	\$145,000	\$12,836	\$174,000	(\$41,836)
	TOTAL	\$995,000	\$87,916	\$981,500	(\$74,416)
SUB-TOTAL		\$13,470,000	\$1,194,450	\$11,703,500	\$572,050
LESS AUTO PLATE		\$2,700,000	\$239,496	\$2,268,000	\$192,504
NET IND TOTAL		\$10,770,000	\$954,954	\$9,435,500	\$379,546
FOOD AND FARM					
	SHIRLEY MEAT	\$2,400,000	\$213,055	\$2,136,000	\$50,945
	NECC DAIRY	\$525,000	\$46,596	\$635,2250	(\$156,846)
	SECC DAIRY	\$693,000	\$61,699	\$749,000	(\$117,699)
	TOTAL	\$3,618,000	\$321,350	\$3,520,250	(\$223,600)
NETIND/FARM TTLS		\$14,388,000	\$1,276,304	\$12,955,750	\$155,946

Financial Statement Exhibit C



11 Year Comparison - Sales Vs Cash receipts





Commonwealth of Massachusetts
Department of Correction
Larry E. BuBois
Commissioner

MASS. H572.2:B 96/993

**Massachusetts
Correctional
Industries**

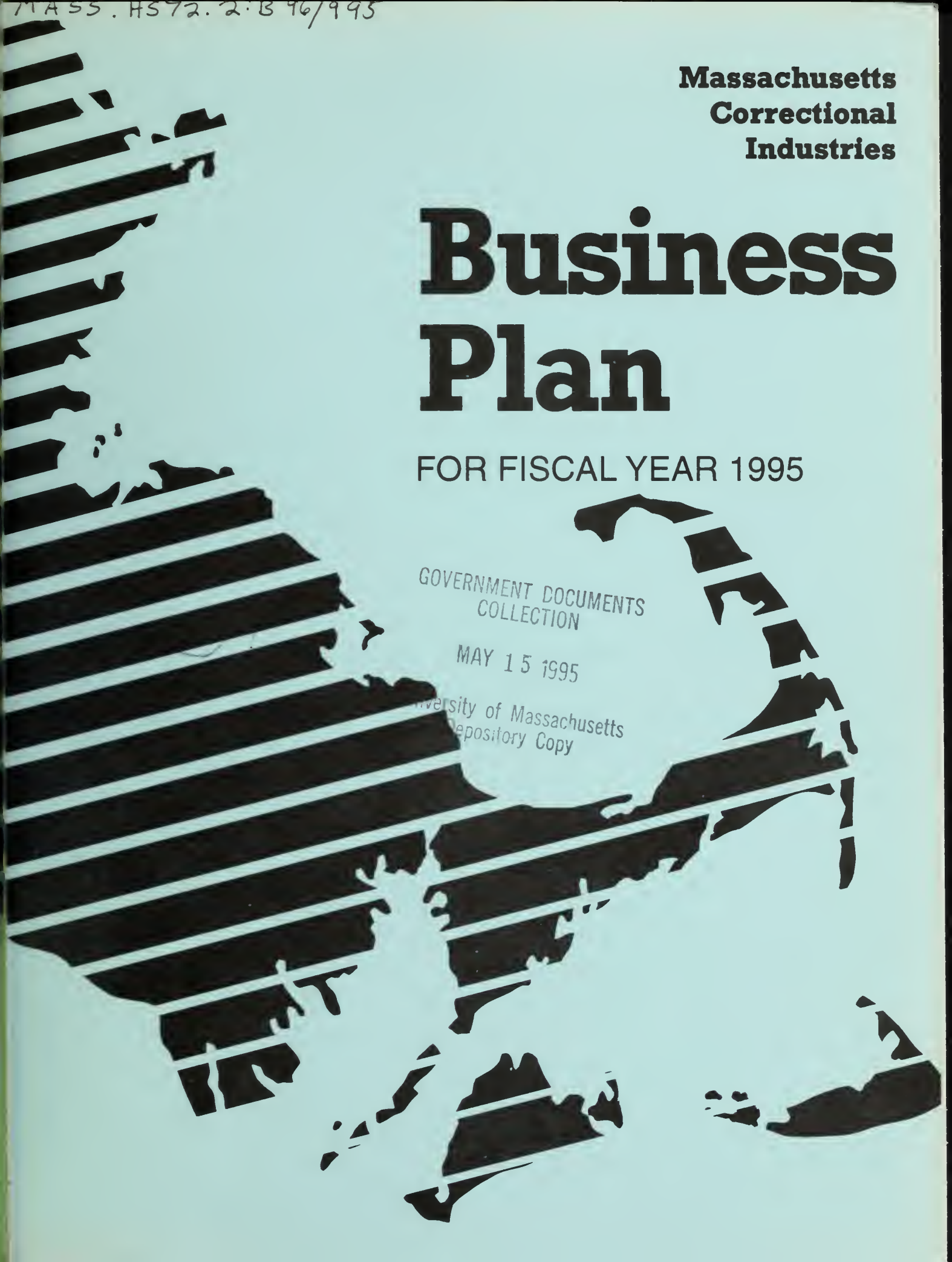
Business Plan

FOR FISCAL YEAR 1995

GOVERNMENT DOCUMENTS
COLLECTION

MAY 15 1995

University of Massachusetts
Depository Copy

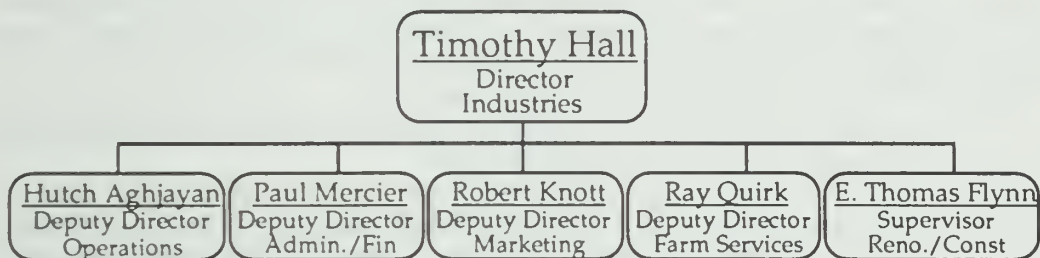




Massachusetts
Correctional Industries

Business Plan

- Section I -
Report of Business Operations
Fiscal Year 1995



Mission Statement

To relieve boredom; to help defray cost of incarceration and; to provide work opportunities to offenders through development of their occupational skills and discipline that would enhance their qualifications for re-integration into society. To employ the maximum number of offenders possible that is consistent with effective use of program capital and maintaining the safety of the public.

Business Report

Director's Letter

During FY'94, Industries continued to struggle with self-sufficiency. For the third consecutive year, we were forced to operate at a loss, which reached a total this year of \$1,609,382. This downward spiral has brought us to crossroads as we pursue our mission of maintaining self-sufficiency while employing the maximum number of inmates possible.

There were a number of factors that contributed to our losses. Among those were the continued transfer of furniture operations from MCI-Concord to MCI-Shirley, a reduced demand for farm products, the inability to recruit inmates for Renovation/Construction and the attempts to comply with security procedures at MCI-Norfolk, our largest shop.

As we enter the 2nd quarter of FY'95, the furniture shop is only now becoming fully operational after over a year in transit from Concord to Shirley. Due to our inability to operate at full capacity during the year, Shirley Industries operated at a loss in excess of \$232,649.

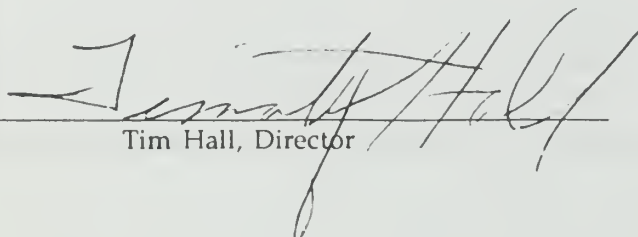
Norfolk's production was slowed significantly due to efforts to come into compliance with tool control at that facility. Losses from that operation were \$204,334. Although tool control is an on-going process, the bulk of work on this project has been completed which will allow us to increase production in the new year.

Farm Services operated at a loss of \$315,280. This loss can be largely attributed to the difficulty of competing on dairy products in Massachusetts. Another factor inhibiting farm product sales was the awarding of a contract for meat purchases to a single source vendor who has been using the spot market to purchase goods at a rate far below the normal level.

Renovation/Construction division is an area where we also suffered significant losses. It seems that we are having difficulty recruiting inmates for this program. We also find ourselves involved in some projects that are beyond our scope. Consequently we operated at a loss of \$199,059 last year.

Total revenues for FY'94 including license plates were down almost 20%. This figure is a reflection of the continuation of cutbacks in agency allocations among other issues.

Despite the losses suffered last year, we have reason to believe that we can move forward to meet our goal of self-sufficiency. Many of the factors contributing to losses have been addressed such as the moving of the furniture shop. In addition to these changes, we have renewed support from the commissioner and the department as a whole. This support is not only reflected in words but also in the appointment of one of our former directors to represent us at the executive staff level.



Tim Hall, Director

Business Report

Marketing and Sales

General

At this time last year we expressed a cautious optimism that the early trends of FY'94 would not continue throughout the year. Unfortunately, the trends did continue, and FY'94 turned out to be a disappointing year for MCI.

In Review

As in FY'93, lack of any significant program of prison expansion can be cited as one reason for flat sales performance in FY'94. Continued tightening of agency budgets and more restrictive regulations within our own agency also contributed to sales decreases in the metal, mattress, upholstery and furniture shops. Fiercely competitive pricing also impacted our sales.

Excluding Food and Farm services, sales for all other industries shops totaled \$6,787,000, down from \$7,420,000 in FY'93. This represents a decrease of just over 9%. While this was disappointing, it was not as severe as the decrease of the previous year.

On the positive side, several of our shops had relatively good performances in FY'94. The Norfolk clothing and janitorial shops performed well with 19% and 6% increases respectively. The Cedar Junction brush shop, sewing shop and furniture assembly shop all showed increases of over 20%. Other shops that showed better results in FY'94 included screen printing, flags and auto body repair.

A Look Ahead

Several of our shops appear to be headed for a good year. We anticipate continued strong performances in the clothing and janitorial shops in Norfolk. A pilot program under consideration in the Norfolk sewing shops could result in a significant expansion in sales for that facility.

The furniture shops in Shirley should provide a boost this year because of upgraded product designs and improved delivery cycles. An increased awareness of our need to concentrate on price competitiveness should help in producing better sales results.

Other strong performances are expected from the flag shop in Framingham, and the optical shop in Gardner. In addition, we are hopeful that the Framingham shop will be selected to participate in several new projects which will provide even greater sales volume.

As in FY'94, we hope to expand our sales to county facilities. We will make a strong effort to increase our share of the products that county agencies are buying. Several counties are undertaking some projects that should offer us some opportunities for sales.

In all, we believe our results in FY'95 will prove to be better than those of the previous year. Our success will depend on our ability to react to opportunities as they arise in a keenly competitive market. We will need to be responsive and resourceful if we are to meet the challenges of this fiscal year.

General

Compliance with tool, truck, count and key policies have consumed major amounts of our operational resources during the fiscal year. As each institution in which we operate was brought into the departmental audit cycle, Industries' operations were brought under pressure to support individual institutional compliance efforts. This resulted in construction of "A" and "B" tool cribs in most institutions in which we operate Industries shops and in the major shops of MCI-Norfolk. Industries was able to design, fabricate and do its own standardized panels and components cut on Industries automated plasma cutting equipment. Installation on site was similar to putting together an erector set. A number of the institutions and divisions of the DOC also ordered and constructed the Industries supplied units.

HIGHLIGHTS/ACHIEVEMENTS

MCI-Norfolk Industries

- Expansion of the clothing shop into space previously used to manufacture fiberesin modular furniture.
- Development of new buffable floor wax and non-ammoniated wax floor stripper.
- Reconstruction of the "Hot Room" to include a blowout panel, four hour burn walls and new electrical wiring.
- Freight elevators were updated by installation of new push button controls.
- All tool rooms were reorganized and additional excess tools and equipment removed.
- Four new welding machines were installed.

Old Colony Correctional Center

- New typesetting equipment (Imagesetter) and scanning equipment installed and in use.

MCI-Cedar Junction

- Development of capability to use 3M's pre-clear license plate sheeting resulting in a major reduction of hydrocarbon emissions in support of the Green State mandates.

MCI-Shirley

- Completion of installation of "Hot Room", finishing room, tool room and stock control areas ending moves from Concord and Norfolk.
- Installation of new dust collectors.
- Production of acceptable samples of corn brooms.
- Programming and activation of new drafting computer.

SECC

- Establishment of embroidery business with capability to produce embroidery on patches, hats, t-shirts, sweaters and jackets.

NCCI-Gardner

- Acquired and installed new production equipment including a state of the art computerized lens generator in anticipation of additional Medicaid and MCOFU eyewear programs.

MCI-Framingham

- Developed new security mirror for DOC use in confinement areas.
- Produced many city and town flags for Hall of Flags project at the state house.
- Created 1100 square feet of new manufacturing space in a previously unused area.

Summary

Continued emphasis on overhead reduction resulted in reduced operating costs for all operations.. The significant lack of sales and continuing reduction in labor efficiency in order to support security policies, however, left much of the shops capacity underutilized.

Business Report

Renovation/Construction

The Renovation/Construction Division of Correctional Industries ended FY'94 with sales under projections and after assignment of division overhead, the division fell short of break-even by \$244,871.00. A number of factors impacted this division in FY'94. Following are some of the highlights.

The capabilities of the Renovation/Construction staff to operate at full potential has been affected by the implementation of the new tool and key policies. Long term illnesses within our staff and the unavailability of inmates from Pondville Correctional Center. The inmates which are available are lacking background skills in the construction field.

Renovation/Construction is presently under contract with the Department of Correction for the complete renovation of the outpatient department holding area at Lemuel Shattuck Hospital. This very complex project requires extensive supervision and close coordination with hospital facilities and the Office of Capital Management. This project has had numerous delays due to the lack on inmates and the late deliveries of materials from contract vendors.

A variety of trade capabilities were utilized by Renovation/Construction instructors in completion of a number of projects for the Department of Correction during FY'94 such as:

- 1) Renovation/Construction built and installed a control desk for Boston Pre-Release.
- 2) Remolded space proposed for Culinary Arts into offices for Classification and moved the office (s) from Boston to Norfolk.
- 3) Remolded vacant space for offices at the Training Academy for Policies Development and Compliance Unit and moved the office to the new location.
- 4) Assisted Cottage Industries in renovating the mechanical systems in the old Dr. John Cuning house on Reformatory Circle, Concord, Mass.

During FY'94, the crews of Renovation/Construction have also completed projects for a number of other state agencies which include:

- 1) The building of snack bars for the Commission of the Blind in Lawrence and Lowell.
- 2) Assembling of furniture at Fuller and Bay Cove Mental Health facilities.
- 3) Cleaning of wards and assembly work at Division of Youth Services in Westboro.
- 4) Refurbished shower rooms at Taunton State Hospital.
- 5) Renovation/Construction also completed many moves in FY'94. Middlesex Community College kept us very busy this past year along with the Division of Medical Assistance. We also had many moving jobs for the Department of Mental Health and Retardation.

Renovation/Construction has had a decline in the number of projects requested by state agencies. We still strive to maintain a service that is functional and cost effective.

Business Report

Food and Farm Services

General

Food and Farm Services projected sales of \$3,000,000 for FY'94 to help reduce the division losses as well as in assisting this operations goal of achieving self-sufficiency. However, due to a significant reduction in meat orders especially during the last quarter when budget allocations are tighter our sales were down by approximately \$500,000.00. This is disturbing in light of the fact that the new meat products developed during the year were a success judging from the number of orders they generated. We were not as successful, however, in our endeavor to enlarge our customer base and thus create additional revenue. Expanding our customer base will be a major focus during FY'95 to return this division to a positive cash flow.

Meat Processing Plant

As previously mentioned sales of meat products were lower than anticipated which is unfortunate in that the meat plant in past years has been able to generate sufficient excess revenue to offset deficiencies in the dairy operation. New products have been developed during the year to help increase sales while at the same time meet the ever changing needs of our customers. During the year our customer base has grown with the addition of Bristol County, Plymouth County and the Wyatt Detention Center. The meat plant was successful in implementing the new tool, toxic/caustic and inmate counts policies. A major emphasis was placed on each site to be in compliance with these policies by the Department. Individuals assigned at this location managed to receive the appropriate number of training hours.

Dairy Operations

Both NECC and SECC continued to operate dairy enterprises as they have in previous years. The combined herd consists of 490 cows which require substantial support in terms of grain, hay, silage, equipment and manpower. During FY'94 approximately 3.9 million pounds of milk was processed and sold generating sales of 1.1 million. Both dairy operations were also successful in implementing the three major security policies previously mentioned in the meat plant summary section of this report. The SECC farm has continued to assist the University of Massachusetts Cooperative Extension Service by coordinating on site soil testing activities for students. Farm Services also work with host communities in providing available land for community gardens and by donating surplus food stuffs to charitable organizations.

In conclusion, I would like to reiterate that Farm Services is committed to returning this division to a positive cash flow situation. The specific way in which we intend to accomplish this objective is detailed later in this report.

Business Report

Administration/Finance

Section I

Computerization

During FY'94, Correctional Industries purchased additional computer hardware which will be used to improve our capabilities. This will allow more detailed information to be developed in a more timely manner.

Accounts Receivable

In FY'94, the accounts receivable function became a major area of constant review and monitoring. This was necessary to ensure that funds needed to operate the program were available when needed to meet our financial obligations.

Profit (Loss) Projections Vs. Actual

The following table reflects the actual profit or loss statements versus the original projection in the FY'94 Business Plan.

Site/Shop	Proj.	Actual	\$ Difference
MCI-Norfolk			
Clothing	(\$17,882)	(\$16,335)	+\$1,547
Drapery	(\$1,551)	(\$55,949)	-\$54,398
Janitorial	\$57,479	\$36,923	-\$20,556
UPH/Part	(\$7,814)	(\$100,583)	-\$92,769
Metal	\$62,992	(\$25,524)	-\$88,516
Mattress	(\$22,424)	(\$42,866)	-\$20,442
MCI-Cedar Junction			
Validation	\$74,598	(\$13,519)	-\$88,117
Sewing	(\$31,374)	(\$16,436)	+\$14,938
Brush	(\$2,321)	\$5,867	+\$8,188
Assembly	\$54,297	\$37,148	-\$17,149
Auto Plate	\$24,700	(\$300,914)	+\$325,614
MCI-Framingham			
Flag	(\$11,900)	(\$44,038)	-\$32,138
MCI-Concord/Shirley			
Furniture	(\$99,300)	(\$232,649)	-\$133,349
MCI-Gardner			
Optical	(\$15,900)	(\$4,502)	+11,398
Old Colony CC			
Print	\$33,200	(\$86,695)	-\$119,985
MCI-SECC			
Binder	(\$37,804)	(\$80,171)	-\$42,367
Silkscreen	(\$42,336)	(\$18,356)	+\$23,980
Sign	\$10,371	(\$41,349)	-\$51,720
Embroidery	\$1,869	(\$8,619)	-\$10,488
Reno/Construction			
Reno/Construction	(\$118,263)	(\$244,871)	-\$126,608
Auto Body	(\$58,437)	(\$40,664)	+\$17,773
Shirley - Meat Plant	(\$788)	(\$111,258)	-\$110,470
NCCI/Dairy	(\$179,800)	(\$172,301)	+\$7,499
SECC/Dairy	(\$146,612)	(\$31,721)	+\$114,891
Net Total	(\$475,000)	(\$1,609,382)	-\$1,134,382





MASSCOR
Massachusetts
Correctional Industries

Business Plan

- Section II -
Fiscal Year 1995 Master Plan &
Objectives by Department

All of our energies during the new fiscal year will be directed to moving our operations toward self-sufficiency.

In order to meet this goal we will need the support and input of everyone of our staff as well as the staff and administrators who host our programs. We can no longer depend on state use requirements to provide us with customers. Instead we must be willing and ready to compete on the basis of three factors, *quality, price and delivery time*.

With that assumption, division heads from fiscal, sales and operations will be sitting down with line staff to review the viability of all of our products and shops. If they do not lend themselves to our goal, then products may be dropped, *AND* shops may be reorganized in order to allow them to compete.

In the same vein we will be examining our central office functions and whether or not they actually support field operations. No stone will be left unturned in our efforts to become more efficient in supporting production and sales.

Given the continued cutbacks in allocations to state agencies we will also re-examine marketing efforts. It is clear from the last three years that we must look outside of state government if we are going to broaden our market share in goods and services. Consequently, we will be expanding marketing efforts beyond the normal realm as we look toward the non-profits for markets. In particular we will be targeting health care organizations.

We also anticipate continued progress in the area of eyeglasses. This year we have picked up a substantial portion of the Medicaid contract for eyewear. We have also established a network of providers who are working with us to provide eyewear to our Unit 4 employees through MCOFU. We hope that our expanded capacity and experience with network providers in this area will help add to our customer base.

As we refine our current product line we will continue to review opportunities for new products. In doing so we must keep in mind our mission of employing as many inmates as possible. One area of immediate potential under review is the production of infection control and blood spill clean-up kits.

In closing, I will re-emphasize that we must prepare ourselves to compete at all levels for our sales. In so doing we must insure that all of our activities are geared to *quality, price savings and timely deliveries for our customers*.

In addition, we must work toward training all of our employees to be better prepared to meet these challenges in the future.

Master Plan

Marketing and Sales

Overview

Fiscal year 1995 promises to be a challenge. Once again there will be no major prison expansion plan to generate a significant volume of sales in the metal and furniture shops. In addition, continued tightening of agency budgets will impact all our shops. Pressures upon agencies to place more business with small and minority businesses will continue to erode our sales, particularly our printing and furniture sales.

The Plan

The emphasis for FY'95, therefore, will be on developing a plan to offset the negative influences. We will explore every idea for expanding our sales potential. We will incorporate direct mail, highlighting specific products to particular market segments.

We must look carefully at the market and react to the trends. If the market dictates a need to make our products more aesthetically appealing, more state-of-the-art oriented, more price competitive or more readily available, we must be prepared to satisfy the requirement.

New Products

In addition to adjusting our product line to market indicators, we will also explore opportunities for new products and new alliances. Professional partnerships with private companies could enable us to bring new products to the market with a minimum of investment and operational costs, while providing the opportunity for more inmate jobs. In addition, many alliances provide sales and marketing assistance to augment our own sales force efforts. In general, these partnerships have proven very successful in the past, and should continue to provide excellent opportunities for expanding our sales base. Tests will soon be undertaken that will determine our ability to manufacture an entire line of products through a partnership. These products would be available to a broad consumer market.

Personnel

Our sales staff will play an important role in this plan. They will be expected to take on additional responsibilities. We will train them, where necessary, to update them on new products, features and benefits. They will be expected to "work smart" and maximize the effectiveness of their efforts.

As always, training programs will be established for each member of the Marketing and Sales staff. These programs are designed to help each individual develop their personal and professional skills. Improved skills levels lead to improved performance for Marketing and Sales.

Master Plan

Marketing and Sales

BRUSHES

FY '94 Actual - \$55K
FY '95 Projected - \$85K

Strong base of municipal contracts and mailing program will expand sales.

SIGNAGE

FY '94 Actual - \$53K
FY '95 Projected - \$80K

Strong recovery from a disappointing year.

FLAGS/MICROFILM

FY '94 Actual - \$147K
FY '95 Projected - \$180K

Improved inventory program and increased activity in microfilming will increase sales.

ASSEMBLY/SEWING

FY '94 Actual - \$1,621M
FY '95 Projected - \$1,700M

Encouraging early trends indicate the potential for a good year.

UPHOLSTERY/PARTITION

FY '94 Actual - \$153K
FY '95 Projected - \$420K

Restructuring of product line promises to position us for future growth.

DRAPERY

FY '94 Actual - \$ 33K
FY '95 Projected - \$200K

Adjustments to market bring greater sales.

Master Plan

Marketing and Sales

CLOTHING

FY '94 Actual - \$801K
FY '95 Projected - \$825K

Expanded customer base results in sales increase.

BINDERS

FY '94 Actual - \$133K
FY '95 Projected - \$180K

Greater attention to competition and promotion bring results.

CLEANING SUPPLIES

FY '94 Actual - \$311K
FY '95 Projected - \$375K

Expanded sales emphasis bring results.

VALIDATION/LABELS

FY '94 Actual - \$381K
FY '95 Projected - \$500K

New possibilities to expand sales.

OPTICAL

FY '94 Actual - \$431K
FY '95 Projected - \$600K

New contracts help us expand results.

SILK SCREENING

FY '94 Actual - \$107K
FY '95 Projected - \$150K

Expanded product line means greater volume.

Master Plan

Marketing and Sales

WOOD FURNITURE/MODULAR

FY '94 Actual - \$464K
FY '95 Projected - \$750K

Our efforts to react better to our markets show results.

MATTRESSES

FY '94 Actual - \$296K
FY '95 Projected - \$440K

Development of new customers for mattresses.

EMBROIDERY

FY '94 Actual - \$ 2K
FY '95 Projected - \$60K

Sales in this program expand dramatically.

PRINTING

FY '94 Actual - \$516K
FY '95 Projected - \$700K

Emphasis on customer service and developing new business will increase sales.

METAL

FY '94 Actual - \$300K
FY '95 Projected - \$500K

County projects help.

RENOVATION/CONSTRUCTION/AUTO BODY

FY '94 Actual - \$555K
FY '95 Projected - \$810K

Continued efforts to obtain contracts and expand sales bring results.

TELEMARKETING

FY '94 Actual - \$ -0-
FY '95 Projected - \$50K

Program will slowly develop into solid performer.

Master Plan

Operations

General

To reduce overhead costs through increased efficiency, elimination of waste and downtime. To increase inmate employment without featherbedding while maintaining secure operations through strict adherence to department policies. To improve staff training and quality in order to provide customers with readily seen value in the products and services we provide.

SPECIFIC SITE PLANS

NCCI-Gardner

- To prepare expansion space and move equipment to absorb increased sales from medicaid suncontract and MCOFU eyewear programs.
- To recruit and staff eyewear program with an additional dispensing optician.

MCI-Shirley (Medium)

- To create saleable inventory using excess available raw materials.
- To redesign the fiberesin line of furniture with new edge treatments and reconstruct for a more economic joinery system.
- To offer obsolete products at special sale prices.
- To divest surplus machinery no longer needed.
- To transfer the "This End Up" assembly process to SECC.

MCI-Shirley (Minimum)

- To progress in the manufacturing of brooms in cooperation with the Commission for the Blind.
- To transfer and re-install the brush operation from Cedar Junction .
- To set up a reupholstering operation in the old machine shop.

MCI-Framingham

- To continue to work toward capturing the RMV title microfilming operation and install in available space.
- To set up an adjunct optical shop with excess equipment available from NCCI-Gardner to produce glass lens requirements.

MCI-Norfolk

- To install and test an in-plant feeding program to cut down on hours lost because of proper implementation of tool control.
- To develop new environmentally safe janitorial cleaning products to update our line of products.
- To expand our capacity to produce clothing and cut and sew products .
- Find and manufacture compatible products from and for private companies who could use some of our capacity to produce.
- To divest surplus machinery no longer needed and to find suitable storage facilities for machines and supplies which cannot be stored inside the institution any longer.

MCI-Cedar Junction

- To transfer the brush operations to Shirley minimum.
- To transfer the assembly operation to SECC.
- To locate compatible industry opportunities to replace lost programs and to install them in available space.

SECC

- To consolidate the three ring binder shop in one area.
- To move in furniture assembly from Shirley and Cedar Junction into the space vacated by the three binder shop.

OCCC

- To study whether acquisition of a new collating/stapling machine can be justified.

CDC

-To eliminate surplus equipment removed from Industries operations inside several of the institutions.

STRATEGIC PLAN

Every operation will be reviewed so that staff, equipment, methods, systems and procedures in use will support the above objectives. Further consolidation of unproductive shops and products will be reviewed for rationalization or to be combined with other operations.

Master Plan

Renovation/Construction

General

In order to achieve the goal of self-sufficiency for this division with Correctional Industries for FY'95, it is vital that Renovation/Construction implement a plan to reduce overhead. We plan to do this by increasing the efficiency of our work projects, controlling material cost and to maintain the inmate employment level necessary to offset the fixed operating cost of the division.

Production and Efficiency

The new tool and key control policies have to be constantly streamlined to be workable without affecting the production schedules of Renovation/Construction projects. We will continue to make improvements in the four day work week, implemented in FY'93 to attain greater efficiency.

The manager of Renovation/Construction and his staff will continue to meet regularly to review work projects, schedules, security issues, elimination of waste, cost savings, efficiency and quality improvements.

To offset the fixed operating costs of this division it is imperative that Renovation/Construction maintain an inmate employment level of 40-45 skilled and unskilled inmates, for our outside construction crews. We will work closely with Pondville Correctional Center and DOC Classification to recruit inmates to achieve these levels.

Work Expansion

In FY'95, our emphasis will be mainly on external projects, generating revenue. This division will carefully select projects which will provide prudent use of manpower hours, and materials.

We will make every effort in FY'95 to increase the inmate work force, which will allow Renovation/Construction to solicit other government agencies for projects which will best use our capabilities and time frame.

Master Plan

Food and Farm Services

General

In order to achieve the goal of self-sufficiency for this division within Correctional Industries in FY'95 it is vital that Farm Services implement a plan to increase sales revenue. Therefore, FY'95 activity will focus on increasing our sales volume through the addition of new products, becoming more responsive to exiting customers and by enlarging our customer base. We will also examine the method of operation of each enterprise to determine if there are realistic ways to reduce operating costs as a means of improving overhead absorption.

Meat Processing Plant

The meat plant's objective for FY'95 is to increase sales by at least \$700,000. We plan on accomplishing this objective by establishing a better relationship with the Department's Food Service Director and also by periodically attending Food Administrator's meetings to become more responsive to their needs. We are also changing our ordering procedures currently in effect to one that is more acceptable and convenient for our existing customers as well as for any new customers we might secure. Customers concerns regarding product quality or other issues will now be directed to the Deputy Director of Farm Services, who in turn will ensure that their concerns are dealt with satisfactorily.

Another very important initiative for increasing meat sales involves recapturing lost business and /or finding new business. To accomplish this endeavor we plan on training our outside sales personnel in order for them to have a complete understanding of the products they are attempting to sell. Once trained, sales staff will be provided with a sales call listing.

Other initiatives to increase sales such as spot market buying and the "Second Market" product concept will be pursued through DPGS.

Dairy Operations

It is of equal importance that the dairy operations increase the amount of revenue generated through the sale of additional milk products. The dairies combined have the capacity to produce raw milk over current sales by approximately \$380,000 providing there are customers willing to purchase this product at current prices.

Production capabilities to package milk, if we were to purchase it via a raw milk contract, are such that an additional \$750,000 could be generated providing we had customers willing to purchase. Achieving this additional capacity might create production problems with tank storage space, refrigerator space and conceivably delivery truck capacity.

Therefore, our plan of action is to identify potential customers and aggressively pursue those milk accounts. To accomplish this objective we will utilize our outside sales personnel as I have already previously described.

New Ventures

It has been determined that thirty (30) acres of SECC farm land is suitable for growing cranberries as a cash crop. A feasibility study will be conducted to determine if this would be a profitable endeavor. We will also explore the possibility of becoming more involved in the existing greenhouse operations now under the Cottage Industry Program. The SECC farm manager has indicated that this operation could be more revenue successful if better qualified decision making were taking place.

Master Plan

Administration/Finance

Section II

Computerization

In FY'95 we plan to explore networking our central office system with our production units in the facilities. We will identify equipment needs and attempt to identify funding for this project.

Cash Flow Management

Working with limited financial resources, due to lower FY'94 sales make it most important to monitor cash flow data to ensure that sufficient funds are available to cover staff payroll and operational expenses.

Accounts Receivable

An improved accounts receivable monitoring system is being used to keep accounts receivable balances within acceptable levels, thus providing cash flow for the program.

Exhibit P - 1, 2, 3 - These pages outline the FY'95 spending plans for the Industries Division, Food and Farm Division and the total of both divisions.

Exhibit P - 4, 5, 6 - These pages outline the FY'95 spending budgets by state appropriation and by each location within Industries and Food and Farm services.

CONSOLIDATED
SPENDING PLAN FY'95

SPENDING LIMIT FY'95	10,838,945
ESTIMATED FY' 95 RECEIPTS	9,335,000
ESTIMATED USEABLE FY' 95 RECEIPTS	9,300,000
EXPENSE BUDGET AMT YTD 07/01/94	-0-
BALANCE OF USEABLE FY'95 RECEIPTS	9,300,000

REVENUE RECAP FY'94

RECEIVED TO DATE 07/01/94	-0-
BALANCE TO REACH USEABLE RECEIPTS	9,300,000

Staff Payroll Industries	2,194,000
Staff Payroll Farm Services	839,000
Farm Services Site Budget	1,617,000
Industries Site Budget	2,100,000
Industries, Capital Expenditures	100,000
11k/dozen Towels,3k/dozen Sheets	354,000
Inmate Wages- Industries	537,000
Inmate Wages - Farm Services	71,000
Temporary Clerical Help	35,000
Auto Body Shop Manager	47,000
Industries Administration Expenses	130,000
Rubbish Removal Contracts	25,000
Hazardous Waste Removal Contract	15,000
Service Contracts	100,000
Furniture Assembly Materials	<u>1,040,000</u>

TOTAL OF PLANNED SPENDING	9,204,000
UNSPECIFIED CASH RESERVE	96,000

BREAKDOWN OF ESTIMATED FY'95 USEABLE REVENUE RECEIPTS

Industries Receipts	7,065,000
Farm Services Receipts	<u>2,235,000</u>
Total Estimated Useable Receipts	9,300,000

INDUSTRIES DIVISIONS
SPENDING PLAN FY '95

SPENDING LIMIT FY'95	8,138,945
ESTIMATED FY'95 RECEIPTS	7,085,000
ESTIMATED USEABLE FY' 95 RECEIPTS	7,065,000
EXPENSE BUDGET AMT YTD 7/01/94	-0-
BALANCE OF USEABLE RECEIPT S TO BUDGET	7,065,000

REVENUE RECAP FY' 95

RECEIVED TO DATE 7/01/94	-0-
BALANCE TO REACH USEABLE RECEIPTS	7,065,000

PLANNED EXPENDITURES FY'95

Staff Payroll Industries	2,194,000
Industries Institutional Budgets	2,100,000
Capital Equipment FY'95	100,000
11K/dz Towels, 3K/dz. Sheets	354,000
Inmate Wages Industries	537,000
Auto Body Shop Manager	47,000
Industries Administration Expenses	130,000
Rubbish Removal Contracts	25,000
Hazardous Waste Removal Contract	15,000
Service Contract Expenses	100,000
Temporary Clerical Services	35,000
Furniture Assembly Materials	<u>1,040,000</u>
TOTAL OF PLANNED SPENDING	6,677,000
UNSPECIFIED CASH RESERVE	388,000

FOOD AND FARM SERVICE
CASH FLOW PLAN FY'95

SPENDING LIMIT FY' 95	2,700,000
ESTIMATED FY' 95 RECEIPTS	2,250,000
ESTIMATED USEABLE FY' 95 RECEIPTS	2,235,000
EXPENSE BUDGET AMT YTD 07/01/94	-0-
BALANCE OF RECEIPTS TP BUDGET	2,235,000

REVENUE CAP FY'95

RECEIVED TO DATE 7/01/94	-0-
BALANCE TO REACH USEABLE RECEIPTS	2,235,000

PLANNED EXPENDITURES FY' 95

Staff Payroll Farm Services	839,000
Farm Administration Expenses	12,500
Meat Plant (Shirley)	1,051,500
Inmates Wages Farms	71,000
Northeast Correctional Center	254,000
Southeast Correctional Center	<u>309,000</u>

TOTAL OF PLANNED SPENDING	2,527,000
UNSPECIFIED CASH RESERVE	(292,000)

FOOD AND FARM SERVICES FY'95
SPENDING BUDGET BY SITE

Exhibit P-4

<u>INSTITUTION</u>	<u>ENTERPRISE</u>	<u>AMOUNT</u>	
<u>MCI-Shirley</u>	<u>Meat Plant</u>		
	Inmate Wages	20,000	
	Raw Meat Product	1,000,000	
	Packaging - Boxes/Bags	15,000	
	Lease-Freezer	2,000	
	Administration	500	
	Repairs/Replacements	8,000	
	Spices	19,000	
	Linens/Knives	5,500	
	Housekeeping	<u>1,500</u>	
	Total		1,071,500
 <u>NECC</u>	 <u>Dairy</u>		
	Inmate Wages	22,000	
	Animal Feed	77,000	
	Vehicles Expenses	10,000	
	Dairy (Breeding Supplies)	33,000	
	Fertilizer/Seed	25,000	
	Skim Milk/Juice	13,000	
	Packaging Materials	40,000	
	Repairs	40,000	
	Consultants	12,000	
	Misc/Administration	<u>4,000</u>	
	Total		276,000
 <u>SECC</u>	 <u>Dairy</u>		
	Inmate Wages	29,000	
	Animal Feed	90,000	
	Vehicles Expenses	10,000	
	Dairy (Breeding Supplies)	42,500	
	Fertilizer/Seed	21,500	
	Packaging/Materials	40,000	
	Skim Milk/Juice	18,000	
	Repairs	35,000	
	Consultants	15,000	
	Building Repairs	15,000	
	Lime	6,000	
	Misc/Administration	<u>6,000</u>	
	Total		328,000
 <u>Administration</u>			
	Travel	1,500	
	Fuel for Vehicles	8,000	
	Repairs to Vehicles	3,000	
	Total		12,500
 TOTAL OF ALL ENTERPRISE BUDGETS			1,688,000

FY'95 SPENDING BUDGETS BY SHOP
(Industries)

<u>INSTITUTION</u>	<u>SHOP</u>		<u>AMOUNT</u>	<u>FY'95 REVENUE ESTIMATE</u>
<u>Old Colony</u>	Print Shop		<u>210,000</u>	<u>600,000</u>
<u>MCI-Norfolk</u>	Drapery Shop	150,000		
	Metal Shop	160,000		
	Clothing Shop	210,000		
	Mattress Shop	100,000		
	Janitorial Shop	74,000		
	Uph/Part. Shop	170,000		
	Norfolk Total		864,000	2,300,000
<u>SECC</u>	Binder Shop	70,000		
	Silkscreen Shop	20,000		
	Sign Shop	30,000		
	SECC Total		120,000	340,000
<u>MCI-Shirley</u>	Furniture Shop		256,000	750,000
<u>MCI-Fram.</u>	All Operations		60,000	130,000
<u>NCCI-Gardner</u>	Optical Shop		170,000	440,000
<u>Reno/Const.</u>	Reno/Const.	170,000		
	Auto Shops	60,000		
	Reno/Const. Total		230,000	700,000
<u>MCI-Cedar Junction</u>	Brush Shop	20,000		
	Validation Shop	170,000		
	Sewing Shop	354,000		
	Furniture Assm	1,040,000		
	Cedar Junction Total		<u>1,584,000</u>	<u>1,900,000</u>
TOTAL OF ALL INDUSTRIES SHOP BUDGETS			3,494,000	7,160,000

STATE APPROPRIATION

BUDGET PLAN FY'95

AA Salary Account	\$879,045
DD Health Ins., Employee Leave	35,755
FF Plate Shop Materials/Supplies	395,048
JJ Inmate Wages (Plate Shop)	60,000
LL Plate Shop Service Work	<u>2,000</u>
 TOTAL STATE APPROPRIATION	 \$1,371,848



MASSCOR
Massachusetts
Correctional Industries

Business Plan

- Section III -
Financial Reports

Financial Statements

Notes and Reference

General

The financial statements appear in the final pages of this report. For FY'95 and beyond, Correctional Industries has developed a systematic plan to provide pro-formal financial statements, capital expenditure budgets and cash flow analysis in a timely manner for management.

Effect of Reduced License Plate Sales

The failure to sufficiently fund the auto plate account has resulted in a reduced sales total for this product line. This reduction in sales has had a negative effect on Correctional Industries individual shop profit and loss statements.

This is caused by the fact that the Auto Plate shop is not absorbing the percentage of S.G.&A overhead as anticipated when projections for FY'94 were developed. The plate shop is operating at a production level which is only a fraction of its capacity.

In our FY'95 projections, sales from the auto plate shop continue to anticipate product levels much below shop capacity. In our projections for FY'96 and FY'97, anticipated sales of auto plates have increased to reflect the results of increased state appropriation, caused by the return to a two (2) plate per passenger vehicle issue.

Exhibit A

Consolidated Statement of Operations for Fiscal Years 1994, 1993, and 1992 - Demonstrate the profit and loss of each facility and the program as a whole.

Exhibit B -1

Shows the actual sales and profit (loss) for each shop for fiscal year 1994.

Exhibit B-2,3 & 4

Shows the projected sales and profits (shortfall) for each shop for the fiscal years 1995, 1996 and 1997. These projections are based on the current economic conditions within the Commonwealth and its political sub-division as well as our in-house projections.

Exhibit C

A bar graph demonstrating the sales and receipt collections over the last twelve (12) fiscal years.

Financial Statements

Notes and Reference

Summary of Significant Accounting Policies

Massachusetts Correctional Industries is a program within the Massachusetts Department of Correction. The establishment and maintenance of this program is sanctioned under the General Laws of Massachusetts, Chapter 127, Section 51. Massachusetts Correctional Industries has 22 shops operating in eight penal facilities located throughout Massachusetts.

Food and Farm Services operate three programs in three penal facilities located throughout the state.

Substantially most of the program's sales are made to state and local governmental agencies and non-profit entities.

The accompanying financial statements have been prepared on an accrual basis. Inter-facilities transactions, including profits and losses, have not been eliminated in the consolidation.

Plant and Equipment

Plant and equipment are capitalized at cost or appraised value for donated property and include expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and other minor renewals are expensed as incurred. When properties are disposed of, the related cost and accumulated depreciation are removed from the respective accounts with any gain or loss included in the determination of income. The straight line method of depreciation is used for all depreciable assets. Rates of depreciation are generally based on useful life guidelines.

Inventories

Finished goods inventory is valued at the lower cost or market. Raw materials and supplies inventory are valued using the moving average cost method.

The policy and procedures which have been implemented in regard to inventory taking have provided a useful management tool. We are now able to identify surplus, obsolete materials and finished goods.

Financial Statement

Exhibit A - Consolidated Statement of Operations - FY '94, '93, '92

FY '94	WALPOLE AUTO P/LT	WALPOLE OTHER	NORFOLK ALL	SHIRLEY ALL	FRMGHM ALL	BRDGWTR S.F.C.C.	GARDNER N.C.C.I.	BRDGWTR O.C.C.C.	RVNIN CNSTR	TOTAL SHIPS ONL	FARM SERVICES	TOTAL ALL LOC
TTL REV	\$518,599	\$2,398,960	\$2,157,250	\$591,839	\$146,253	\$317,234	\$429,682	\$498,897	\$554,496	\$7,613,210	\$2,539,027	\$10,152,237
LESS CST'N GDS	\$421,503	\$2,018,567	\$1,881,275	\$548,002	\$75,292	\$332,654	\$311,871	\$484,490	\$274,208	\$6,347,862	\$2,525,571	\$8,873,433
GROSS PROFIT	\$97,096	\$380,393	\$275,975	\$43,837	\$70,961	(\$15,420)	\$117,811	\$114,407	\$280,288	\$1,265,348	\$13,456	\$1,278,804
UNABSRBD OIL	\$248,585	\$135,724	\$217,569	\$244,110	\$100,056	\$99,454	\$73,751	\$32,616	\$491,110	\$1,642,975	\$0-	\$1,642,975
OPERATING P/T	(\$151,489)	\$244,669	\$58,406	(\$200,273)	(\$29,095)	(\$114,874)	\$44,060	(\$18,209)	(\$210,822)	(\$377,627)	\$13,456	(\$364,171)
LESS S.G. & A	\$149,425	\$231,609	\$262,740	\$32,376	\$14,943	\$33,621	\$48,562	\$68,486	\$74,713	\$916,475	\$328,736	\$1,245,211
NET PROFIT	(\$300,914)	\$13,060	(\$204,334)	(\$232,649)	(\$44,038)	(\$148,495)	(\$4,502)	(\$86,695)	(\$285,535)	(\$1,294,102)	(\$315,280)	(\$1,609,382)
FY '93												
TTL REV	\$1,457,247	\$2,244,998	\$2,547,631	\$311,119	\$139,838	\$324,311	\$475,086	\$667,710	\$710,924	\$8,878,234	\$3,172,543	\$12,050,777
LESS CST'N GDS	\$1,182,920	\$1,827,526	\$2,184,661	\$288,214	\$73,505	\$333,489	\$339,183	\$601,689	\$550,780	\$7,381,967	\$3,188,929	\$10,570,896
GROSS PROFIT	\$274,327	\$417,472	\$362,970	\$22,905	\$66,333	(\$9,178)	\$135,903	\$66,021	\$159,514	\$1,496,267	(\$16,386)	\$1,479,881
UNABSRBD OIL	\$44,711	\$83,756	\$155,649	\$234,198	\$68,030	\$105,041	\$177,751	\$30,916*	\$270,213	\$1,108,433	\$0-	\$1,108,433
OPERATING P/T	\$229,616	\$333,716	\$207,321	(\$211,293)	(\$1,697)	(\$114,219)	(\$41,818)	\$96,937	(\$110,699)	\$387,834	(\$16,386)	\$371,448
LESS S.G. & A	\$129,034	\$244,042	\$323,986	\$57,504	\$114,025	\$25,246	\$42,076	\$67,322	\$88,360	\$991,595	\$410,944	\$1,402,539
NET PROFIT	\$100,582	\$89,674	(\$116,665)	(\$268,797)	(\$15,722)	(\$139,465)	(\$83,924)	\$29,615	(\$199,059)	(\$603,761)	(\$427,330)	(\$1,031,091)
FY '92												
TTL REV	\$1,259,871	\$2,373,104	\$3,165,796	\$557,685	\$142,242	\$245,651	\$403,236	\$657,400	\$864,367	\$9,669,352	\$4,011,240	\$13,680,592
LESS CST'N GDS	\$984,286	\$1,866,179	\$2,257,215	\$447,628	\$111,389	\$408,394	\$291,632	\$576,975	\$473,530	\$7,417,228	\$4,096,745	\$11,513,973
GROSS PROFIT	\$275,585	\$506,925	\$908,581	\$110,057	\$30,853	(\$162,743)	\$111,604	\$80,425	\$390,837	\$2,252,124	(\$85,505)	\$2,166,619
UNABSRBD OIL	\$195,025	\$87,057	\$202,915	\$144,300	\$59,350	\$56,901	\$142,033	\$14,847	\$360,373	\$1,262,801	\$0	\$1,262,801
OPERATING P/T	\$80,560	\$419,868	\$705,666	(\$34,243)	(\$28,497)	(\$219,644)	(\$30,429)	\$65,578	\$30,464	\$989,323	(\$85,505)	\$903,818
LESS S.G. & A	\$140,547	\$183,882	\$283,436	\$114,780	\$14,055	\$39,822	\$26,938	\$63,246	\$70,274	\$936,980	\$234,245	\$1,171,225
NET PROFIT	(\$59,987)	\$235,986	\$422,230	(\$149,023)	(\$42,552)	(\$259,466)	(\$57,367)	\$2,332	(\$39,810)	\$52,343	*(\$319,750)	(\$267,407)

* Includes buyout of leased equipment \$260,000.

Financial Statement

Exhibit B-1

Fiscal Year 1994 Profit/Loss Actual

<u>INSTITUTION/SHOP</u>	<u>ACT SLS</u>	<u>SG&A</u>	<u>CST TO SLS</u>	<u>PRFT(LOSS)</u>
NORFOLK CLOTHING	\$715,858	\$87,230	\$644,963	(\$16,335)
DRAPERY	\$71,296	\$8,670	\$118,575	(\$55,949)
JANITORIAL	\$325,794	\$39,674	\$249,197	\$36,923
PART/UPHOL	\$351,200	\$42,827	\$408,956	(\$100,583)
METAL	\$387,235	\$47,030	\$365,729	(\$25,524)
MATTRESS	\$305,867	\$37,309	\$311,424	(\$42,866)
TOTAL	\$2,157,250	\$262,740	\$2,098,844	(\$204,334)
WALPOLE VALIDATION	\$382,274	\$36,826	\$358,967	(\$13,519)
SEWING	\$516,101	\$49,796	\$482,741	(\$16,436)
BRUSH	\$56,911	\$5,558	\$45,486	\$5,867
ASSMBLY	\$1,443,674	\$139,429	\$1,267,097	\$37,148
AUTO PLATE	\$518,599	\$149,425	\$670,088	(\$300,914)
TOTAL	\$2,917,559	\$381,034	\$2,824,379	(\$287,854)
FRMNGHM				
FLAG	\$146,253	\$14,943	\$175,348	(\$44,038)
SHIRLEY FURNITURE	\$591,839	\$32,376	\$792,112	(\$232,649)
GARDNER				
OPTICAL	\$429,682	\$48,562	\$385,622	(\$4,502)
O.C.C.C. PRINT	\$498,897	\$68,486	\$517,106	(\$86,695)
S.E.C.C. BINDERY	\$162,907	\$17,147	\$225,931	(\$80,171)
SILKSCREEN	\$101,977	\$10,759	\$109,574	(\$18,356)
SIGN	\$50,998	\$5,379	\$86,968	(\$41,349)
EMBROIDERY	\$1,352	\$336	\$9,635	(\$8,619)
TOTAL	\$317,234	\$33,621	\$432,108	(\$148,495)
RENOV/CONST				
RENO	\$445,490	\$59,770	\$630,591	(\$244,871)
AUTO BODY	\$109,006	\$14,943	\$134,727	(\$40,664)
TOTAL	\$554,496	\$74,713	\$765,318	(\$285,535)
SUB TOTAL	\$7,613,210	\$916,475	\$7,990,837	(\$1,294,102)
LESS AUTO PLATE	\$518,599	\$149,425	\$670,088	(\$300,914)
NET IND TOTAL	\$7,094,611	\$767,050	\$7,320,749	(\$993,188)
FOOD AND FARM				
SHIRLEY MT	\$1,340,403	\$173,572	\$1,278,089	(\$111,258)
NECC DAIRY	\$460,459	\$59,501	\$573,259	(\$172,301)
SECC DAIRY	\$738,165	\$95,663	\$674,223	(\$31,721)
TOTAL	\$2,539,027	\$328,736	\$2,525,571	(\$315,280)
NET IND/FARM TTLS	\$9,633,638	\$1,095,786	\$9,846,320	(\$1,308,468)

Financial Statement

Exhibit B-2

Fiscal Year 1995 Projected Profit/Loss

<u>INSTITUTION/SHOP</u>	<u>EST SLS</u>	<u>SG&ACST TO SLS</u>	<u>PRFT(LOSS)</u>
NORFOLK CLOTHING	\$825,000	\$72,657	\$726,000 \$26,343
DRAPERY	\$200,000	\$17,496	\$190,000 (\$7,496)
JANITORIAL	\$375,000	\$33,048	\$281,250 \$60,702
PART/UPHOL	\$420,000	\$36,936	\$462,000 (\$78,936)
METAL	\$500,000	\$43,983	\$450,000 \$6,017
MATTRESS	\$440,000	\$38,880	\$418,000 (\$16,880)
TOTAL	\$2,760,000	\$243,000	\$2,527,250 (\$10,250)
WALPOLE VALIDATION	\$500,000	\$43,861	\$440,000 \$16,139
SEWING	\$530,000	\$46,949	\$492,900 (\$9,849)
BRUSH	\$85,000	\$7,413	\$72,250 \$5,337
ASMBLY	\$1,000,000	\$87,722	\$890,000 \$22,278
AUTO PLATE	\$1,400,000	\$218,695	\$1,190,000 (\$8,695)
TOTAL	\$3,515,000	\$404,640	\$3,085,150 \$25,210
FRMNGHM			
FLAG	\$180,000	\$16,200	\$198,000 (\$34,200)
SHIRLEY FURNITURE	\$750,000	\$66,960	\$780,000 (\$96,960)
GARDNER			
OPTICAL	\$600,000	\$52,920	\$522,000 \$25,080
O.C.C.C. PRINT	\$700,000	\$61,560	\$610,000 \$28,440
S.E.C.C. BINDERY	\$180,000	\$15,718	\$230,400 (\$66,118)
SILKSCREEN	\$150,000	\$13,092	\$147,000 (\$10,092)
SIGN	\$80,000	\$6,977	\$110,000 (\$36,977)
EMBROIDERY	\$60,000	\$5,253	\$51,000 \$3,747
TOTAL	\$470,000	\$41,040	\$538,400 (\$109,440)
RENOV/CONST			
RENO	\$700,000	\$61,586	\$735,000 (\$96,586)
AUTO BODY	\$110,000	\$9,694	\$130,000 (\$29,694)
TOTAL	\$810,000	\$71,280	\$865,000 (\$126,280)
SUB TOTAL	\$9,785,000	\$957,600	\$9,125,800 (\$298,400)
LESS AUTO PLATE	\$1,400,000	\$218,695	\$1,190,000 (\$8,695)
NET IND TOTAL	\$8,385,000	\$738,905	\$7,935,800 (\$289,705)
FOOD AND FARM			
SHIRLEY MT	\$1,300,000	\$127,018	\$1,235,000 (\$62,018)
NECC DAIRY	\$460,000	\$45,086	\$570,000 (\$155,086)
SECC DAIRY	\$720,000	\$70,296	\$665,000 (\$15,296)
TOTAL	\$2,480,000	\$242,400	\$2,470,000 (\$232,400)
NET IND/FARM TTLS	\$10,865,000	\$981,305	\$10,405,800 (\$522,105)

Financial Statement

Exhibit B-3

Fiscal Year 1996 Projected Profit/Loss

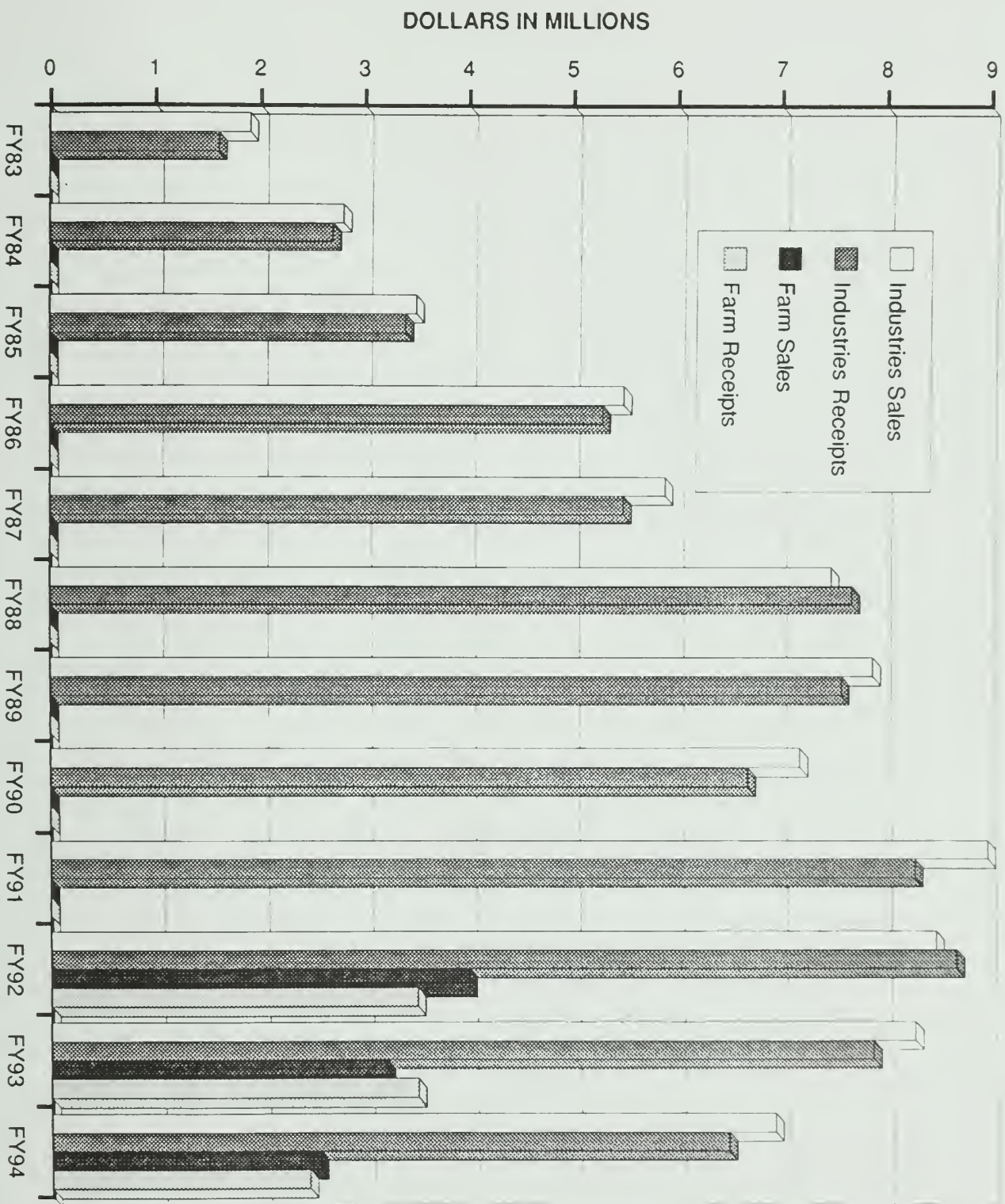
<u>INSTITUTION/SHOP</u>	<u>ACT SLS</u>	<u>SG&ACST TO SLS</u>	<u>PRFT(LOSS)</u>
NORFOLK CLOTHING	\$840,000	\$71,176	\$739,200
DRAPERY	\$250,000	\$21,270	\$232,500
JANITORIAL	\$390,000	\$32,996	\$292,500
PART/UPHOL	\$500,000	\$42,268	\$522,000
METAL	\$800,000	\$67,630	\$704,000
MATTRESS	\$440,000	\$37,360	\$418,000
TOTAL	\$3,220,000	\$272,700	\$2,908,200
WALPOLE VALIDATION	\$510,000	\$43,924	\$448,800
SEWING	\$600,000	\$51,543	\$558,000
BRUSH	\$85,000	\$7,619	\$72,250
ASMBLY	\$1,300,000	\$112,050	\$1,157,000
AUTO PLATE	\$2,700,000	\$300,564	\$2,241,000
TOTAL	\$5,195,000	\$515,700	\$4,477,050
FRMNGHM			
FLAG	\$200,000	\$16,200	\$218,000
SHIRLEY FURNITURE	\$900,000	\$76,950	\$846,000
GARDNER			
OPTICAL	\$650,000	\$55,350	\$565,500
O.C.C.C. PRINT	\$750,000	\$64,800	\$652,500
S.E.C.C. BINDERY	\$185,000	\$16,157	\$234,900
SILKSCREEN	\$150,000	\$13,133	\$147,000
SIGN	\$80,000	\$6,955	\$110,000
EMBROIDERY	\$80,000	\$6,955	\$68,000
TOTAL	\$495,000	\$43,200	\$559,900
RENOV/CONST			
RENO	\$850,000	\$72,973	\$835,000
AUTO BODY	\$140,000	\$12,077	\$150,000
TOTAL	\$990,000	\$85,050	\$985,000
SUBTOTAL	\$12,400,000	\$1,129,950	\$11,212,150
LESS AUTO PLATE	\$2,700,000	\$300,564	\$2,241,000
NET IND TOTAL	\$9,700,000	\$829,386	\$8,971,150
FOOD AND FARM			
SHIRLEY MT	\$1,350,000	\$115,746	\$1,280,000
NECC DAIRY	\$475,000	\$40,709	\$583,000
SECC DAIRY	\$740,000	\$63,595	\$683,000
TOTAL	\$2,565,000	\$220,050	\$2,546,000
NET IND/FARM TTLS	\$12,265,000	\$1,049,436	\$11,517,150

Financial Statement

Exhibit B-4

Fiscal Year 1997 Projected Profit/Loss

INSTITUTION/SHOP		PRO/SLS	SG&ACST TO SLS	PRFT(LOSS)	
NORFOLK	CLOTHING	\$880,000	\$76,167	\$770,000	\$33,833
	DRAPERY	\$260,000	\$22,335	\$239,200	(\$1,535)
	JANITORIAL	\$410,000	\$35,506	\$307,500	\$66,994
	PART/UPHOL	\$500,000	\$43,237	\$522,000	(\$65,237)
	METAL	\$800,000	\$69,294	\$704,000	\$26,706
	MATTRESS	\$460,000	\$39,801	\$432,400	(\$12,201)
	TOTAL	\$3,310,000	\$286,340	\$2,975,100	\$48,560
WALPOLE	VALIDATION	\$510,000	\$44,272	\$448,800	\$16,928
	SEWING	\$630,000	\$54,662	\$585,900	(\$10,562)
	BRUSH	\$85,000	\$7,228	\$74,417	\$3,355
	ASSMBLY	\$1,300,000	\$112,034	\$1,157,000	\$30,966
	AUTO PLATE	\$2,700,000	\$303,054	\$2,241,000	\$155,946
	TOTAL	\$5,225,000	\$521,250	\$4,507,117	\$196,633
FRMNGHM					
	FLAG	\$210,000	\$18,070	\$222,000	(\$30,070)
SHIRLEY					
	FURNITURE	\$900,000	\$77,840	\$846,000	(\$23,840)
GARDNER					
	OPTICAL	\$650,000	\$56,990	\$565,500	\$27,510
O.C.C.C.	PRINT	\$785,000	\$68,110	\$675,100	\$41,790
S.E.C.C.	BINDERY	\$195,000	\$16,588	\$239,900	(\$61,488)
	SILKSCREEN	\$155,000	\$13,233	\$150,350	(\$8,583)
	SIGN	\$85,000	\$7,231	\$112,000	(\$34,231)
	EMBROIDERY	\$120,000	\$10,208	\$100,000	\$9,792
	TOTAL	\$555,000	\$47,260	\$602,250	(\$94,510)
RENOV	RENO	\$850,000	\$73,942	\$835,000	(\$58,942)
	AUTO BODY	\$140,000	\$12,238	\$150,000	(\$22,238)
	TOTAL	\$990,000	\$86,180	\$985,000	(\$81,180)
SUB-TOTAL		\$12,625,000	\$1,162,040	\$11,378,067	\$84,893
LESS AUTO PLATE		\$2,700,000	\$303,054	\$2,241,000	\$155,946
NET IND TOTAL		\$9,925,000	\$858,986	\$9,137,067	(\$71,053)
FOOD AND FARM					
	SHIRLEY MEAT	\$1,400,000	\$121,959	\$1,340,000	(\$61,959)
	NECC DAIRY	\$475,000	\$41,489	\$600,000	(\$166,489)
	SECC DAIRY	\$740,000	\$64,512	\$700,000	(\$24,512)
	TOTAL	\$2,615,000	\$227,960	\$2,640,000	(\$252,960)
NETIND/FARM TTLS		\$12,540,000	\$1,086,946	\$11,777,067	(\$324,013)



Calculus

1. The derivative of a function $f(x)$ is denoted by $f'(x)$.

2. The derivative of $f(x) = x^n$ is $f'(x) = nx^{n-1}$.

3. The derivative of $f(x) = \sin x$ is $f'(x) = \cos x$.

4. The derivative of $f(x) = \cos x$ is $f'(x) = -\sin x$.

5. The derivative of $f(x) = e^x$ is $f'(x) = e^x$.

6. The derivative of $f(x) = \ln x$ is $f'(x) = \frac{1}{x}$.

7. The derivative of $f(x) = a^x$ is $f'(x) = a^x \ln a$.

8. The derivative of $f(x) = \log_a x$ is $f'(x) = \frac{1}{x \ln a}$.

9. The derivative of $f(x) = \tan x$ is $f'(x) = \sec^2 x$.

10. The derivative of $f(x) = \cot x$ is $f'(x) = -\csc^2 x$.

11. The derivative of $f(x) = \sec x$ is $f'(x) = \sec x \tan x$.

12. The derivative of $f(x) = \csc x$ is $f'(x) = -\csc x \cot x$.

13. The derivative of $f(x) = \arcsin x$ is $f'(x) = \frac{1}{\sqrt{1-x^2}}$.

14. The derivative of $f(x) = \arccos x$ is $f'(x) = \frac{-1}{\sqrt{1-x^2}}$.

15. The derivative of $f(x) = \arctan x$ is $f'(x) = \frac{1}{1+x^2}$.

16. The derivative of $f(x) = \operatorname{arccot} x$ is $f'(x) = \frac{-1}{1+x^2}$.

17. The derivative of $f(x) = \operatorname{arcsec} x$ is $f'(x) = \frac{1}{x \sqrt{1-x^2}}$.

18. The derivative of $f(x) = \operatorname{arccsc} x$ is $f'(x) = \frac{1}{x \sqrt{1-x^2}}$.

19. The derivative of $f(x) = \operatorname{arcosh} x$ is $f'(x) = \frac{1}{\sqrt{x^2-1}}$.

20. The derivative of $f(x) = \operatorname{artanh} x$ is $f'(x) = \frac{1}{1-x^2}$.





Commonwealth of Massachusetts
Department of Correction
Larry E. DuBois
Commissioner



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